Austria Sch 18 | Indonesia Rp 2500 | Portugal Esc 80 | Bahrain Din 0.650 | Italy L1300 | S. Arabia Rls 6.00 | Belgium BFr 42 | Japan Y500 | Singapore S$ 4.10 | Canada C$1.00 | Jordan Fils 500 | Spain Pta 110 | Cyprus C£0.60 | Kuwait Fils 500 | Sri Lanka Rup 30 | Denmark Dkr 7.25 | Lebanon L8.00 | Sweden Skr 6.50 | Egypt E£1.00 | Luxembourg LFr 42 | Switzerland SFr 2.20 | Finland Fmk 6.00 | Malaysia Rin 4.25 | Taiwan NT $95 | France Fr 6.00 | Mexico Pes 300 | Tunisia Din 0.600 | Germany DM 2.20 | Morocco Dh 6.00 | Turkey L210 | Greece Dr 70 | Netherlands Fl 2.50 | U.A.E. Dh 6.50 | Hong Kong HK$ 12 | Norway Nkr 6.00 | U.S.A. $1.00 | India Rup 15 | Philippines Pes 20

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,772 | Wednesday November 6 1985 | D 8523 B

Why Africa needs new prescription from IMF, Page 18

World news

French win $4bn US Army order

The Reagan Administration has opted for French rather than British technology in a $4bn deal to buy a mobile battlefield communications system for the US Army.

The decision was announced last night after months of fierce competition between Thomson, the French state-owned electronics group, and Plessey of Britain, who submitted rival bids a year ago.

The US accord with the French, adding up to probably the biggest ever US-European arms deal, represents a considerable political and industrial setback for the UK Government. Prime Minister Margaret Thatcher intervened personally in the late summer by writing to President Ronald Reagan to put forward the British case.

The contract, under which 25 divisions of the US Army will be equipped with a coded computerised communications network, will boost Thomson's efforts to market the system elsewhere, both within and outside Nato.

Chilean protest starts

Seventeen bombs exploded and demonstrators disrupted public transport at the start of a 48-hour protest against Chile's military Government.

Belgian bombings

An American bank in Charleroi and a Belgian-owned bank in Louvain were bombed. These follow two blasts in Belgian banks on Monday.

Soviet convoy attack

Afghan rebels blew up at least 28 trucks as a convoy of petrol tankers crossed the Hindu Kush on its way from the Soviet Union to Kabul, Western diplomats said.

Boesak restricted

South Africa withdrew the passport of anti-apartheid campaigner Rev Allan Boesak, despite a court ruling relaxing the terms of his bail. Meanwhile, police began investigating the Cape Times, which published an interview with Mr Oliver Tambo, exiled leader of the African National Congress. Page 4

Diplomat found dead

Mexican diplomat Manuel Portilla Quevedo was found shot dead along with his Mexican maid in his Moscow flat. Soviet authorities are investigating the deaths.

New water mines

British firms have devised the first underwater mine to be operated by sonar. This would enable friendly ships to pass through mined waters.

E. German protest

East Germany protested to Bonn that a West German destroyer ranged its guns on a merchant ship in the Baltic last week. Bonn denies the report.

Barge sinks in fiord

Ten people were missing after a barge being used to build a floating concrete platform capsized in a Norwegian fiord near Stavanger.

Green N-plant

A group of Austrian "Greens" and artists is raising money to buy the unused Zwentendorf nuclear power plant to turn it into an international ecology, peace and cultural centre. Page 2

New Times editor

The new editor of The Times newspaper in London is to be Mr Charles Wilson, one of the paper's two deputy editors. He was chosen by a unanimous decision by the Times' six independent directors.

German ship released

A West German cargo ship detained by the Iranian navy was allowed to proceed to Kuwait after inspection revealed it had no cargo for Iraq.

Business summary

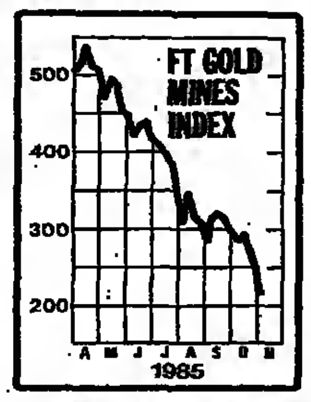
Hitachi to close Hiroshima shipyard

HITACHI ZOSEN, leading Japanese shipbuilder, announced plans to close its Hiroshima yard and lay off 5,000 of its 17,000 employees by the end of 1987, when current orders run out. Page 24

WALL STREET: The Dow Jones industrial average closed up 6.99 at 1,396.67. Page 42

TOKYO recovered from early weakness and the Nikkei market average, down nearly 58 points at one stage, closed up 10.71 at 12,820.89. Page 42

LONDON equities closed at record levels despite late profit-taking. The FT Ordinary index rose 2.4 to a peak 1,073.5 and the FT-SE 100 index hit a fresh high of 1,363.7 with a gain of 2.8. Gilts were narrowly changed. Page 42



GOLD fell 50 cents on the London bullion market to $324.75 and was also lower in Zurich at $324.85. In New York the Comex December settlement was $326.20. Page 34

DOLLAR was firmer in London, rising to DM 2.6135 (DM 2.596), SFr 2.151 (SFr 2.136), FFr 7.9675 (FFr 7.9125) and Y207.95 (Y207.75). On Bank of England figures the dollar's exchange rate index rose from 129.0 to 129.4. Page 35

STERLING lost 80 points against the dollar in London to finish at $1.433. It also fell to Y298.0 (Y299.25) but was firmer at DM 3.745 (DM 3.74), SFr 3.0825 (SFr 3.0775) and FFr 11.4175 (FFr 11.4). The pound's exchange rate index was unchanged at 80.3. Page 35

WEST GERMAN unemployment fell 2,758 to 2.15m last month but was still the highest October total on record. Page 3

IRELAND is heading for a budget deficit of more than 8 per cent of GNP this year, its highest ever, the Bank of Ireland said. Page 3

YUGOSLAVIA'S balance of payments improved sharply during this year's first nine months, with its current account now in the black by $388m. However, its trade deficit widened to $1.26bn at the end of October. Page 3

BRITISH Petroleum has arranged credit lines for $6.5bn following a strong response from banks to plans for reorganising its short-term finances. Page 10

GENERAL ELECTRIC of the US is dropping production of air conditioners and axing 900 jobs at its Louisville plant in a further effort to move supply of household products outside the company. It recently switched to buying in TV sets from Matsushita of Japan after stopping its own production. Page 21

BMW, West German car and motor cycle manufacturer, expects a further strong growth in sales this year. Nine-month sales were up 13.4 per cent to DM 13.5bn ($5.15bn). Page 21

RUPERT MURDOCH is to make public issue of shares in a company he has set up to buy seven US television stations according to the New York Times. This will be the first public share issue he has made in the US.

NIPPON OIL, Japan's largest refiner and distributor, blamed falling demand from electric utilities as nuclear power plants came onstream and slack market prices for half-year losses of Y7.23bn ($34m). Page 24

Wide differences remain despite pre-summit talks

BY PATRICK COCKBURN IN MOSCOW AND REGINALD DALE IN WASHINGTON

TWO DAYS of intense discussions in Moscow between Mr George Shultz, US Secretary of State, and Soviet leaders ended yesterday without clearly paving the way for agreements at the Geneva summit in two weeks.

After 14 hours of meetings, first with Mr Eduard Shevardnadze, Soviet Foreign Minister, and then with Mr Mikhail Gorbachev, the Soviet leader, Mr Shultz confirmed that wide differences remained on the issues to be discussed by President Ronald Reagan and Mr Gorbachev.

Mr Shultz, saying that the exchanges with Mr Gorbachev had been "vigorous," believed that the discussions had been useful in identifying issues and explaining each sides' position.

Despite the friendly atmosphere at yesterday's meeting at which Mr Shultz was accompanied by Mr Robert McFarlane, the National Security Adviser, and Mr Paul Nitze, the President's arms adviser, there is little sign of the Soviet Union modifying its negotiating position in the lead-up to Geneva.

The Soviet side gave a preliminary reaction to the U.S. counter-offer on nuclear arms reduction tabled in Geneva last Friday, but there is little sign that they regard it as bringing agreement any closer.

Mr Shultz did stress, however, that this week's discussions, the summit and possible future meetings showed that Moscow and Washington both wanted to keep in close contact on questions of mutual concern.

The case of the alleged Soviet defector, Mr Vitaly Yurchenko, was also discussed briefly, but it does not appear to have disrupted the exchanges. This seemed to confirm the view that both sides were working yesterday to defuse the affair well in advance of the summit.

In Washington, however, the Soviet embassy has strongly protested about the treatment of Mr Yurchenko which it described as "inhuman and illegal".

The state news agency, Tass, said that Mr Yurchenko was kidnapped, drugged and held for three months before he managed to escape from his guards and reach the Soviet embassy.

The report described how a senior assistant of Mr William Casey, the director of the Central Intelligence Agency, offered Mr Yurchenko $1m and a salary of $62,000 a year if he defected. He later met Mr Casey in person.

Tass describes Mr Yurchenko's disappearance and re-emergence as an act of "state terrorism" carried out by a Government which frequently vows to end international terrorism.

While the Reagan Administration remained privately angry and suspicious over Soviet handling of the incident, the State Department said that it should not affect plans for the meeting between President Reagan and Mr Gorbachev on November 19 and 20.

The State Department said that the Soviet embassy in Washington had indicated its readiness to allow US officials to interview Mr Yurchenko in a "non-coercive environment" because the US had demanded to check that he was leaving the US of his own free will.

US officials said that the interview would be held outside the Soviet embassy, in an atmosphere in which Mr Yurchenko could not be coerced, although Soviet officials would probably be allowed to attend. The US representatives would include a doctor to check that

Continued on Page 20

U.S. fails to find Yurchenko conspiracy, Page 7

Pressure grows for Tin Council to resolve crisis

BY STEFAN WAGSTYL IN LONDON

THE International Tin Council today resumes its emergency meeting on the world tin market crisis under intense pressure to find ways of meeting its debts running into hundreds of millions of pounds.

But there is every sign that the 22 member governments will fail to find the quick answer which its bankers, the metal traders of the London Metal Exchange and the British Government, have been calling for.

At best, it seems that the tin council could make enough progress to make a positive, but bland, statement of intent by the end of the week and resume next week. At worst, the ITC could collapse, leaving its debts unpaid.

These debts have been built up, funding the efforts of the tin council, which administers a price pact between consuming and producing countries, to support tin prices above free market levels. Tin trading on the LME, the world's leading metals market, has been suspended since October 24 when the ITC announced it had run out of money.

A strong indication that it will take time to find solutions to the crisis came from a meeting in Brussels yesterday, at which representatives of European Community countries, which speak with one voice at the ITC, tried to co-ordinate their views.

They agreed that an independent audit was needed before any commitment to meet outstanding debts was made. It was premature to show willingness to meet a share of the ITC debts before auditors had determined the extent of the liabilities and who was liable, said diplomats. One said: "The question of who is responsible is open as far as the community is concerned."

It seems clear that the UK was unable to convince fellow EEC countries to back the initiative launched last week by Mr Leon Brittan, the Trade and Industry Secretary, who appealed to ITC members to meet their obligations. The Department of Trade and Industry said later that Britain would meet its share, some 4 per cent of the total.

It remains to be seen whether Mr Brittan's appeal met with more success in Malaysia, Indonesia and Thailand, the leading tin producers.

Bankers will be disappointed with the EEC's apparent lack of urgency. The 18 financial institutions which have lent more than £300m ($432m) to the ITC, have set a deadline of Friday for the council to come up with a positive response to their demands for more government cash for the ITC and guarantees for its borrowings.

Sir Adam Ridley, the lenders' spokesman and a director of Hambros Bank, said: "Time is of the essence." The ITC's actions had raised the very wide question of the trust bankers could place in any sovereign government in its role as guarantor of any body such as the ITC, he said.

Meanwhile at the LME, Mr Jacques Lion, the board chairman, said that the tin market, which has been suspended for the rest of this week at least, should not reopen until arrangements have been met to discharge the ITC's debts.

Letters, Page 19; Details, Page 34

Sainsbury profits rise 23%

BY LISA WOOD IN LONDON

BRITAIN'S biggest food and drink retail group, J. Sainsbury, yesterday showed it was maintaining its grip on the British grocery business in announcing a 23% increase in interim profits.

In the fiercely competitive grocery retailing business, Sainsbury reported pre-tax profits of £92.4m ($133m) for the 28 weeks to October 5, compared with £75.1m for the same period last year.

The interim dividend is 1.65p per share against 1.4p for the first half last year, an increase of 17.9 per cent.

The interim result drove up the group's share price on the London Stock Exchange to a closing high for 1985 of 384p, up 6p on the day. During trading it had hit 372p.

The group's 274 food stores accounted for the bulk of turnover, contributing £1.78bn to total group sales up 14.6 per cent at £1.9bn (including VAT payments of £82.5m).

Other business include the Homebase Do It Yourself (DIY) chain and the six SavaCentre hypermarkets jointly owned with British Home Stores.

Sales volume growth in the supermarkets was more than 9 per cent with new stores accounting for a substantial part of this. In the current financial year five large stores have been opened as part of the group's capital investment programme. The group spent £246m in the last full year and is expected to exceed this in real terms this year.

The group, recording a net margin of 4.65 per cent, said its prices had remained highly competitive and there had been further gains in productivity.

Sainsbury, like Marks & Spencer, has been highly innovative in what marketing men call "added value" products such as convenience foods. The chain, which launches 350 new products a year, has this year extended distribution of products such as its Vintage Wine selection, an area in which it has attacked the specialist off-licences.

Increased productivity comes in part from larger stores as well as what it calls improved working practices.

Sainsbury's 26 Homebase stores, which cater for the DIY and garden centre market, reported sales up 45 per cent to £46.8m with profits increasing from £0.3m to £1.6m. Three new stores were opened in the half year.

Sainsbury supports relaxation of Sunday trading laws for DIY and what it calls "leisure centres" although the group is a little more reticent on Sunday opening for food stores.

The group's associated companies contributed £7.2m to interim pre-tax profits.

Lex, Page 20; Details, Page 26

France to introduce fresh monetary policies

By David Marsh in Paris

THE FRENCH Government is to base its monetary policy next year on a wider definition of the money supply to keep pace with growing financial innovation in the economy.

The move, announced yesterday by Mr Pierre Beregovoy, the Finance Minister, also prepares the ground for controlling credit growth more by interest rates and less by the traditional French method of credit ceilings.

Money supply targets, up to now set for M2 – cash in circulation plus French residents' sight and deposit accounts – will for 1986 be defined according to a wider aggregate, M3. This will include deposits held with the large, state-controlled savings bank network as well as placements with France's rapidly expanding unit trusts and mutual funds.

In line with the Government's intention of keeping up a tight credit policy into the 1986 election year, the M3 growth target for next year is expected to be in the 3 to 5 per cent range, below the forecast 1986 expansion of about 6 per cent in nominal gross national product.

The actual M3 targets will be announced in a few weeks. This year's 4 to 6 per cent growth rate target for M2 has been exceeded slightly. This reflects both relatively buoyant bank lending for consumer goods purchases and home-buying and also modest inflows of foreign exchange into France this year.

The Finance Ministry and the Bank of France have already in practice been widening the net of monetary policy because of the expansion of credit and liquidity into instruments not covered by M2. Although monetary policy will be cast in terms of M3, from next year the authorities will also be monitoring redefined narrower aggregates M1 and M2 as well as a wider measure of liquidity, L.

The redrawing of monetary definitions is designed to allow the Bank of France the possibility of controlling credit through influencing bank reserves and through an "open market" policy of sales and purchases of government debt. Partly because of uncertainties connected with general elections next March, however, officials have made clear that there will be no sweeping changes next year in the present control system which relies heavily on quantitative limits on individual banks' lending.

Mr Beregovoy also announced yesterday more details of two financing innovations being introduced as part of gradual moves to

Continued on Page 20

Jaruzelski set to assume presidency

BY CHRISTOPHER BOBINSKI IN WARSAW

GENERAL Wojciech Jaruzelski, Poland's Communist party chief, is today expected to relinquish his post of Prime Minister to become head of the Council of State, or President.

The move, which should be approved by the newly appointed Parliament today, is seen to reflect the General's belief that Poland has returned to normal after the upheavals of the Solidarity free trade union in the early 1980s.

It will not mean any diminution of General Jaruzelski's power since the largely ceremonial Council of State will be strengthened and will acquire strategic decision-making authority as enjoyed by the Government.

Observers believe General Jaruzelski wants to upgrade the presidency and reduce the collective role of Ministers to an executive "Cabinet" rather on the French model. The changes will permit General Jaruzelski to relinquish direct responsibility for the day-to-day running of the country's economy. Coupled with his post of party chief, General Jaruzelski's new job will mean be will be able to retain effective political control of Poland.

The present three-year economic plan, drawn up in 1982 to stabilise the country after a decline in the previous year, comes to an end next month. That should enable the General to transfer strategic economy decisions to the Council of State. He will be taking Mr Kazimierz Barcikowski, presently the party's economic overlord, to the Council of State as his deputy.

A new Prime Minister is expected to be named today. He will then present a new Cabinet to Parliament for approval during next week.

The reshuffle represents the widest set of government changes since the introduction of martial law in 1982. It precedes the Polish party congress, which will take place early next year and during which General Jaruzelski is expected to consolidate the changes.

The moves also come after parliamentary elections last month, the first since martial law during which over two thirds of the electorate went to the polls despite a boycott call by Solidarity.

● Mr Jerzy Urban, the government press spokesman, yesterday denied that a 19-year-old student from Olsztyn in northern Poland died as a result of a beating by police after being detained on October 19.

The police have maintained that Mr Marcin Antonowicz threw himself from a police lorry after being arrested for drunken behaviour. Mr Urban said the "tragic" incident had been exploited by "political hyenas" in the Western press.

British Telecom to buy IBM computers

BY GUY DE JONQUIERES IN LONDON

BRITISH TELECOM is turning to IBM of the US and other companies making computers designed to work with IBM equipment for most of the computer systems it plans to instal. That is part of a far-reaching modernisation of its customer service operations.

The decision marks a shift in procurement policy by BT, which has traditionally relied heavily on equipment manufactured by ICL, the only British-owned mainframe computer maker.

Senior BT managers have criticised ICL's past performance and wanted at one point to exclude the company completely from the latest project.

Instead, BT announced yesterday that ICL would be awarded orders for seven of the 30 computer systems it plans to buy. The rest of the computers will be bought from IBM and other companies whose computers are "plug-compatible" with IBM equipment.

BT's computerisation programme, known as Customer Service System (CSS) is one of the largest in progress in Western Europe. It is due to be completed by 1990 and involves investments estimated at more than £200m ($288m).

The ICL order, worth more than £50m, is for seven Series 39 mainframe computers and about 5,000 terminals. The Series 39, which was launched this year and was developed in collaboration with Fujitsu of Japan, is ICL's most powerful machine.

Mr Alan Roussel, managing director of ICL's UK business, said the order, the largest yet for Series 39 machines, was "the best news of

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CONTENTS

EUROPEAN NEWS

Greens plan to buy Austrian N-plant

By Patrick Blum in Vienna

A GROUP of Austrian greens and artists is raising money to buy the unused Zwentendorf nuclear power plant to turn it into an international ecology, peace and cultural centre.

The group, calling itself Initiative Oesterreich 2025, says it will raise the money by issuing legal certificates of Sch 100 (£3.50), Sch 500 and Sch 1,000.

Mr Gerhard Heilingbrunner, a spokesman for the group, admitted yesterday that it did not hope to raise anything like the estimated Sch 14bn invested in building and maintaining the plant.

"The costs of the plant have already been written off through taxes," he said. The group would be making a symbolic offer depending on how much it was able to raise.

This could be up to Sch 10m, a fraction of the original costs, Mr Heilingbrunner said.

The certificates will be on sale until January 1987 but Initiative Oesterreich hopes to start discussions with the plant's owners early next year.

Zwentendorf, Austria's only nuclear power plant, stands silent and grey on the banks of the Danube some 40 km west of Vienna. It was completed in 1978 but has remained unused after a referendum the same year came out narrowly against commissioning it.

Numerous attempts to overcome political and constitutional obstacles to reverse that decision have failed. In desperation the plant's management company decided in July to pursue offers by international companies for its disposal.

The national electricity utility company which owns a majority shareholding in the plant was sceptical yesterday about Initiative Oesterreich's offer. "We have heard about this with some interest."

However, if the equipment was sold off, there would be no reason for not selling the empty building, he added.

The artists supporting the initiative include Mr Friedensreich Hundertwasser, the celebrated and controversial Austrian painter, who has also campaigned against plans to build a hydro-electric power plant on the Danube.

David Marsh reports on a new industrial future for a depressed French town

Robots breathe life into Saint Etienne

THE CITY of Saint Etienne, in south-eastern France, badly hit by the run down in steel and engineering over the last decade, is turning to robots for help in building a new industrial future.

At the recent opening of a robotics training centre on the site of a disused steelworks, a burly Swedish robot with a long orange arm, made by the Asea engineering group, waved flags enthusiastically. A smaller French welding robot helped Mr Francois Dubanchet, the mayor of Saint Etienne, to cut the traditional tricolour ribbon at the inauguration ceremony.

One of the local politicians participating in the lengthy opening speeches claimed that *La Productique* (coined by the French to describe the technology of flexible manufacturing systems) was "a word resounding with hope for the future."

Behind the rhetoric is the realisation that France has no alternative but to take robotics seriously. Mr Victor Martino, director of the local engineering college, one of the three organisations taking part in the project, summed up the issues at stake: "If we fail in improving flexibility of production systems, there will be immense problems not only in Saint Etienne but in the whole of France."

Saint Etienne already has plenty of experience in facing up to difficulties. The city and its outskirts are pock-marked by closed mines and factories. One of Saint Etienne's most famous symbols, the sprawling works of the Manufrance small arms group, lies barred and deserted. The failure of a workers' co-operative this summer ended a ten-year fight against financial adversity to keep the factory alive.

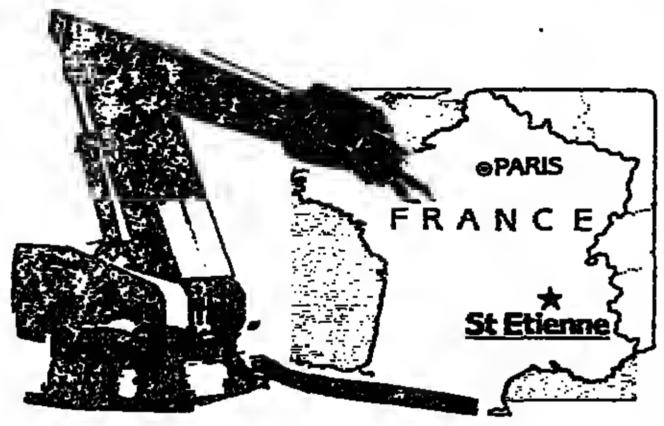
As in many of Europe's depressed industrial regions, the city's official unemployment rate of 13 per cent would be much higher if the figures counted the large numbers of former steel and metalworkers brought into early retirement.

The setting up of the Maison de la Productique may be an encouraging step, but it holds out only slim chances of any rapid transformation in the area's fortunes. The new blue and white building graces wasteland on which steelworks were first built in 1854. After successive ownerships, including the now-bankrupt Creusot Loire group, the site became vacant in 1981-83.

It is now the focus of FFr 55m (£4.8m) investment scheme to build a high-technology industrial zone which will probably take a generation to bear fruit.

About 25 per cent of the money is being put up by the state as part of government efforts to revitalise hard hit areas in "industrial conversion zones" around the country.

The rest of the cash is coming from a mixture of regional and local authorities. Mr Dubanchet, a combative senator from the centre-right UDF/CDS grouping who snatched power from the previous Communist mayor in 1983, says with satisfaction that Saint Etienne won the battle to host the robot centre against half a dozen rival towns in the region, including Lyons and Grenoble.



About 40 engineers, researchers and technicians will work at the centre, to bring local companies into closer contact with automated manufacturing systems and improve existing techniques. An impressive battery of robot manipulators and sophisticated machine tools have been bought, begged and borrowed to help demonstrate new technology.

The Maison de la Productique will host training courses for employees from the Rhone Alpes region and grant companies assistance on specific technical problems. It has already given advice on factory automation to companies manufacturing products ranging from ski-shoes and optical lenses to cardboard boxes, tiles and cigarettes.

"Our role is to spread the gospel," says Mr Michel Barha, president of the state Adepa agency charged with developing robotics, which is taking part in the Saint Etienne scheme.

The most optimistic estimates give the high-tech industrial "park" around the training centre about 10 years to develop. Nine small companies in areas such as micro-electronics and software are already installed in a three-storey building on the site. The number is expected to grow to 25 as new buildings are added over the next few years.

As a sign of efforts to encourage small business start-ups from the scientific community, the prestigious Ecole des Mines engineers' school in Saint Etienne launched a scheme this summer to aid would-be entrepreneurs to commercialise ideas developed in the laboratory. M Pierre Lesbats, the school's research director, says four business projects are under study in areas such as electronics or biotechnology which could benefit from assistance worth FFr 300,000 a year.

M Christian Cabal, the city official presiding over Saint Etienne's high-tech aspirations, is negotiating with IBM over a plan for the computer group to set up a training centre on the new industrial site. He also hopes the Thomson-CGE group will set up a software centre in the city.

However, such plans will do little to improve the outlook for workers laid off in traditional industries like the local Soma subsidiary of the Valeo vehicle components group which has just announced large redundancies.

"A lot of these people are difficult to re-utilise," admits M Cabal. "Even with training, it is asking a lot to expect them to move across to robotics or software research."

Cavaco Silva takes over in Portugal

BY DIANA SMITH IN LISBON

● Prof Cavaco Silva: rapid reflation of economy expected

PORTUGAL'S Social Democrat Government, headed by Professor Anibal Cavaco Silva, takes office here today. A strongly technocratic administration, it is expected to reflate the depressed economy rapidly, cutting interest rates and reducing personal and company taxes, and giving special attention to agriculture. The backwardness of the latter compels Portugal to import more than half its foodstuffs each year.

The industrial north, hub of private enterprise, is strongly represented in the new Government through two prominent Oporto figures: Mr Miguel Cadilhe, the Finance Minister, and Prof Luis Valente de Oliveira, the Planning and Territorial Administration Minister was largely responsible for the preparation of the Government's expansionist programme.

Meanwhile, Mr Victor Constancia, the governor of the Bank of Portugal, and Mr Ernani Lopes, the outgoing Finance Minister, who bad the uncomfortable task of imposing two years of austerity to correct the Social Democrats' excessive expansion in 1980-82, have warned that reflation must be moderate. Portugal cannot afford another bout of uncontrolled current account deficits and foreign borrowing, they say.

With only 88 of the 250 seats in Parliament, the new administration's survival will depend on its ability to weather strong opposition from the Socialists and Communists. It will need to negotiate tactical support from the Christian Democrats or the centre-left Democratic Renewal Party which supports the outgoing President, General Antonio Ramaho Eanes.

Until the outcome is known of the presidential election in mid-January, when the Social Democrats plan to support the conservative candidate Professor Diogo Freitas do Amaral, the Government cannot be sure of its long term durability. A victorious Socialist or other left-wing candidate is likely to call another snap general election in the spring.

Ten drown as ship capsizes

By Fay Gjester in Oslo

TEN PEOPLE are missing, presumed drowned, after an oil platform construction ship capsized in the middle of a Norwegian fjord on Monday evening. Most were probably working inside a heavy container fastened to the ship's deck, which is believed to have fallen to the bottom of the fjord when the vessel overturned.

Twelve other workers on board were thrown into the water, and rescued soon afterwards. None of them was seriously injured.

The ship, Concem, is a former bulk carrier, cut down, stripped of its machinery and converted to serve as a platform for mixing concrete. It was moored in the Gandsfjord, near Stavanger.

EEC report sours relations with Turkey further

BY DAVID BARCHARD IN ANKARA

AMBASSADORS of European Community nations in Ankara are giving a dinner for local journalists today in an attempt to improve relations with the Turkish press. It is not yet clear if the EEC's own representative in Ankara, Mr Gwyn Morgan, will attend.

He is outside Turkey after a storm in the Turkish press in which he has been accused of being "a viper in the Turkish bosom." Turkish journalists who will be guests at today's dinner have spent the past two weeks clamouring for his expulsion.

A report adopted some days ago by the European Parliament criticising Turkey over human rights lies at the heart of the row.

The Turkish press accuses Mr Morgan of writing the report which dashed hopes of an early rapprochement with the Community. What seems to have happened is that his dispatches relaying the confidential and unattributed opinions of Community ambassadors in Ankara were handed to a Turkish diplomat by an Ulster Unionist MEP, Mr John Taylor.

Mr Taylor last week told journalists that after he received the confidential Community document by mistake he passed it straight to the Turkish ambassador. He claims he was redirecting the documents to their original destination via the Turkish authorities.

The views of the ambassadors are likely to have ranged from those of embassies such as the Dutch and British which take an optimistic view of the Turkish situation to those of the Greeks which are less likely to have been favourable.

Extracts printed in the Turkish newspapers refer to "the junta" and use other terms which Turks consider offensive.

The report adopted by the European Parliament was drawn up by a committee of MEPs headed by the British Socialist, Mr Richard Balfe. The Turkish Government refused all contact with the committee, as a result of which facilities were provided by the EEC's office in Ankara.

The Parliament is urged in the report not to reactivate its relations with Turkey at present. The committee said there had been some progress on human rights but it had severe misgivings about torture allegations, unduly lengthy trials of civilians before military tribunals, and curbs on trade union activity. About eight British Conservative MEPs broke ranks to vote in favour of the report.

It is thought unlikely here that Mr Morgan would actually be expelled if he returns. But the 53-year-old diplomat has previously faced a gun threat and is known to be unhappy at the limited security provided for him.

Quentin Peel adds from Brussels: The political row over Mr Morgan's letter comes at a time when relations between Turkey and the EEC are admitted to be "extremely tense," according to Brussels officials.

The most immediate problem concerns strict limits imposed by the Community on Turkish textile exports, especially T-shirts, after the collapse of negotiations in September for voluntary curbs.

However, looming over the relationship is the problem of free movement of Turkish workers, which has been promised by the EEC to come into effect in December, 1986. That undertaking was given in the 20-year-old association agreement with Turkey, but the Ten, led by West Germany, are desperate to renegotiate the clause to maintain some limit on the flow of Turkish migrant workers.

FINANCIAL TIMES

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EUROPEAN NEWS

West German unemployment total declines

BY JOHN DAVIES IN FRANKFURT

WEST GERMAN unemployment eased slightly last month but remains a headache for the Bonn Government despite its optimism about the economy.

The number of people registered as out of work edged down from 2,151,560 to 2,148,800 or 8.6 per cent of the labour force, according to the Federal Labour Office. It is the third month in succession that unemployment has improved, although the total is still slightly higher than a year ago.

Unemployment has been above the politically embarrassing level of 2m for exactly three years.

The Government is fairly confident that the continued economic recovery will reduce unemployment further before the federal elections due early in 1987. But a hard core of unemployment is attributed to structural problems in some industries and some regions. Few experts see an easy or quick solution to this.

In some ways the jobs market has obviously improved. With production picking up, jobs have been created, offsetting an increase in the labour force. The number of workers on short-time is less than half the total a year ago and there are more vacant jobs, especially for skilled tradesmen.

Mr Martin Bangemann, the Economics Minister, yesterday brushed aside repeated demands from trade union leaders for a boost to the economy to provide more jobs. The only way to create lasting jobs was to provide the right conditions to make investment worthwhile, he said.

He predicted that investment, which has already been giving strong impetus to the economy this year, would provide an even more powerful boost next year. Consumer spending, which has been one of the economy's weak spots, would also gather pace.

Figures released yesterday showed that industrial production, seasonally-adjusted, was unchanged in September, but it is thought the figures for both August and September may be revised upwards.

Economic forecasts about the economy are generally good, suggesting that gross national product will increase by about 3 per cent next year.

Cashless shopping system to expand next year

BY LESLIE COLITT IN BERLIN

WEST GERMANY'S first cashless shopping experiment is to be greatly expanded next year in West Berlin and Munich, according to its initiator, the Berliner Bank. The system, called ec-kasse, uses the ubiquitous Eurocheque card issued by banks in some 20 European countries.

The customer keys in the personal identification number of his Eurocheque card which is passed through a reading device. Within 30 seconds funds are transferred from the cardholder's account to that of the retailer.

The "banking point-of-sale" experiment began last December after Berliner Bank, which is mainly city-owned, joined with banks in Munich to launch ec-kasse. The experiment has taken place under the auspices of the Gesellschaft Fuer Zahlungssysteme (GZS) in Frankfurt to which all West German banks belong.

The reading device was connected to Nixdorf integrated cash and stock terminals installed with 20 retailers in West Berlin and Munich.

Other manufacturers in West Germany have now said they will produce simple terminals by next February to enable cashless shopping to be expanded to retailers who are interested only in the "banking point-of-sale" equipment.

Last month, the 20 participating retailers in the two cities recorded 6,100 sales totalling DM 600,000 (£160,500). They include bookstores, food-shops, petrol stations and electronics stores.

Bonn hopes privatisation will raise DM 2bn

THE WEST GERMAN Government expects income of DM 2bn ($769m) in the next two years from part-privatisation of state-owned companies, according to Mr Gerhard Stoltenberg, Finance Minister, Reuter reports from Bonn.

In an interview with the newspaper Schleswig-Holsteinische Landeszeitung, he said income for next year was projected at DM 400m and the rest was expected in 1987.

He did not rule out part-privatisation of Salzgitter, the steel and engineering group, in the next legislative period beginning early in 1987. Salzgitter is expected to break even next year after heavy losses.

The Government officially plans to part-privatise six companies, including Lufthansa, the national airline, before the end of the present Parliament.

The Government said only aluminium, chemicals and energy group VIAG and Prakla-Seismos, an energy exploration company, were expected to be part-privatised next year. Bonn will cut its 87.4 per cent stake in VIAG by at least a quarter and have the company listed on bourses.

The Government's plans for Prakla-Seismos, in which it has a direct 95 per cent stake, are less clear but it will initially retain a substantial holding.

Mr Stoltenberg's aim of reducing Bonn's 74.3 per cent direct stake in Lufthansa to about 55 per cent has so far been blocked by Mr Franz Josef Strauss, the Bavarian premier and leader of the Christian Social Union Party in the centre-right coalition. Any progress on the issue will require top-level coalition talks which have yet to be scheduled, the Government said.

Other government sources said revenue from next year's moves would not reduce Bonn's 1986 new net borrowing target of DM 25bn – unchanged from this year – because coal subsidies would have to be increased as a result of the dollar's sharp drop since the 1986 budget was drafted.

The subsidies are paid to steel makers to compensate them for the extra cost of buying German coking coal, as they are obliged to do under an agreement with the coal company Ruhrkohle, rather than cheaper coal from the world market.

The dollar's fall has made the gap between West German and world prices bigger then initially expected

Eureka consensus on need for state help

BY RUPERT CORNWELL IN HANOVER

MINISTERS FROM 18 countries yesterday attempted to put aside differences over the organisation of Eureka and accepted the need for state finance, if required, to back individual projects in the fledgling scheme for West European high technology co-operation.

At the same time, plans were being finalised for the formal endorsement of several specific projects, which will set Eureka rolling in earnest. France last night submitted five schemes, involving government support, on which work can start at once. Others are expected today.

They include ventures in the fields of computers, lasers, the environment

However, despite the political momentum clearly gathering behind the idea, the foreign and technology ministers here were still struggling to dispel widespread scepticism, not least in West Germany itself, that Eureka really will give new impetus to Europe's efforts to keep technologically abreast of the US and Japan.

All participants, including Britain which hitherto has been the most dogmatic advocate of market forces, now recognise that some state aid may be needed for projects, particularly those of a longer-term and riskier nature. But none, with the possible exception of France, yet seems ready to allot extra public funds beyond those in existing national research and development programmes.

In his opening address here to the ministerial conference—the second of its kind after Eureka's political launch in Paris in July—Chancellor Helmut Kohl declared Bonn's readiness to provide state support for individual projects.

"This is also necessary to give European companies a fair chance in competition with their foreign counterparts, who have the benefit of generous state sponsored programmes." But, he insisted, "we feel it is basically up to companies to finance their own ventures."

The Hanover gathering is essentially to settle the structure of the Eureka scheme and establish a framework within which promising projects can move ahead. A key ingredient is the removal of trade barriers in Europe. "A genuine common market (which the EEC hopes to create by 1992) will be crucial to the success of closer technological co-operation," Mr Kohl declared.

Although Eureka also embraces six countries outside the recently enlarged EEC, the Chancellor emphasised that the scheme should not bypass existing Community structures, such as the Esprit programme but be complementary to them.

However, the issue of precisely how Eureka and the EEC will interlock—as well as that of what agency, if any, should co-ordinate it—remained unclear last night.

Few here doubt that some unit, or "task force" as British officials now call it, will emerge to act as a clearing house for Eureka sheemes. But the Benelux countries, as well as Italy, want it to have the authority to guarantee real "transparency" and to keep all potential partners informed of what projects are in hand. They also want it to be linked to the Commission in Brussels.

Larger countries, like West Germany and the UK, are keen to keep any central agency as small as possible, and shy away from the notion of a full scale secretariat. Sir Geoffrey Howe, the British Foreign Secretary, said that most countries favoured a "flexible approach," while recognising the fears among smaller and less advanced countries of being left out.

The likelihood last night was that despite the pressure for speedy agreement of the secretariat problem, it would in practice be left open here to be settled in time for the third ministerial conference on Eureka, due in London next May.

In the meantime, Britain is pressing its idea of industrial forums, or workshops, within which interested companies can develop Eureka projects. One such, called PENSA, covering local area computer networks, will be examined for a second time in London this December by 18 companies from West Germany, Italy, the Netherlands, France and the UK.

In all, some 300 projects have been tabled here. But only a few belong to the so-called Category One, ready for immediate go-ahead, and where a memorandum of agreement exists among participating companies and where governments have given their blessing.

A further 60 or so are in Category Two, where industrial contacts have taken place but no solid agreements reached. The remainder of the 300 constitute merely a "wish list" of future collaboration possibilities. Many, officials say, have been tabled mainly so that their sponsors are not excluded from a related scheme being hatched

Tickets for Chinese get-together prove hard to sell

BY QUENTIN PEEL IN BRUSSELS

AN URGENT appeal went out yesterday from the corridors of the European Commission in Brussels: find us the missing exporters. Some 25,000 glossy invitations have been sent out to businessmen throughout the Community, urging them to spend Ecu 1,000 (£590) a head to attend a high-powered business week with a 180-strong delegation from China armed with bagsful of propose joint ventures.

So far, only 120 companies have said they will come, leaving the EEC ranks in danger of being outnumbered by their Chinese counterparts. Now the Commission has launched a new effort to attract potential exporters to the event, especially from France and West Germany where they have been slowest to come forward.

"They are not coming here for sightseeing," said Mr Louis Kawan, the European Commission director responsible for relations with China. "These people intend to do business. They will only do business with people they know, and they are hoping to visit European factories after the event."

The Chinese delegation is being headed by Zhang Jinfu, state counsellor in the Chinese Government, and Jir Chi, vice minister responsible for foreign economic relations and trade. The rest of the party includes technical experts from several Chinese provinces, such as Hunan, Hubei, Liaoning and Jiang Su.

Mr Kawan said that only 30 of the members of the group had booked return flights to China, in the expectation that they would be able to follow up the business week, from December 2 to 7, with individual factory visits. They would be coming with a list of more than 250 investment and technology transfer projects to negotiate.

The most interesting area for European involvement was in modernising small and medium-sized Chinese enterprises, he said. A key part of the business week—the second such event organised by the Commission in five years—was to provide plenty of opportunity for informal contacts, with time set aside for frequent coffee breaks and cocktails.

As for the expense of the occasion, he said: "Any business which cannot afford Ecu 1,000 to attend, cannot hope to do business in China."

Record budget deficit forecast for Ireland

BY HUGH CARNEGY IN DUBLIN

IRELAND is heading for a budget deficit of more than 8 per cent of gross national product this year, the highest ever, the Bank of Ireland reports today. The resulting surge in government borrowing needs must be countered by rigorous spending cuts or debt charges could become intolerable.

In its latest quarterly bulletin, the central bank says the budget deficit in the first nine months of this year reached I£1.089m (£893m), more than 86 per cent of the estimate for the year. Less than forecast VAT receipts and higher than expected wage increases are the main culprits.

The government borrowing requirement for 1985 is set to exceed the target of just over I£2bn. It will equal more than 13 per cent of GNP compared to 12.4 per cent in 1984. The total national debt approaches I£17bn, nearly half of which is made up of external debt.

The bank says external debt charges—I£800m in interest and I£916m in principal this year—are "a major impediment to employment prospects."

The report comes as the Government faces a major battle over public sector pay. The unions have already staged one successful one-day national stoppage in their campaign to break government pay targets expected to be around 3 per cent.

The Bank of Ireland says spending cuts, not tax increases, are the only way to curb the deficit and it adds that improved tax collection promised by the Government would only have marginal effects.

The bank says the inflation rate is likely to fall to 5.5 per cent this year and the current account deficit will decline to I£550m from I£637m last year. But GNP growth for 1985 has been revised down to 1 per cent from 1.5 per cent with unemployment, the highest in the EEC, averaging 17.5 per cent for the year.

Yugoslavia back in the black

YUGOSLAVIA'S balance of payments improved markedly during this year's first nine months, buoyed by earnings from tourism, services and other invisible trade, National Bank figures showed yesterday, *Reuter reports from Belgrade.*

They show Yugoslavia's current account was in the black by $388m (£277m), compared with a $77m deficit from January to July.

But the country's trade deficit—widened to $1.26bn at the end of October.

EUROPEAN NEWS

Companies urged to join SDI

BY PETER MARSH

COMPANIES from Western Europe should get involved in the US Strategic Defence Initiative (Star Wars) not just to seek quick profits, but also to keep up with the latest in exotic technology, Dr Julian Davidson, a leading US defence expert, said in London yesterday.

Dr Davidson, who is responsible for strategic defence activities at Booz, Allen and Hamilton, a US company of consultants, told a Financial Times conference on SDI and Eureka that participation in the programme could help European companies gain insights into a range of technologies such as computers, optics and materials.

In many cases, says Dr Davidson, the research could find other military and commercial applications unconnected with the Star Wars goal of designing a defensive shield to screen the West from Soviet missiles.

European companies should try several different approaches to participating in the project, said Dr Davidson, who formerly worked for the US Army on defences against ballistic missiles and whose company is helping define the basic shape of an operational Star Wars system.

One avenue would be to arrange joint ventures with US contractors already working on Star Wars. Another technique could be to send employees for limited periods to US Government weapons laboratories, such as Los Alamos, where they

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SDI and Eureka
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could gain access to ideas on novel SDI approaches.

Mr Earle Williams, president of BDM International, a US defence systems company, said European companies seeking contracts under the SDI would face strong competition from American military equipment contractors.

He said, however, that Western Europe has expertise in areas such as electro-optical devices, which could form the building blocks of new, fast optical computers; artificial intelligence and super-computers. Western Europe also has skills in lasers, rocket propulsion satellites, high-energy accelerators and metals research.

Mr Williams said the Star Wars programme, on which the US plans to spend $33bn by 1990, would provide technical advances to benefit conventional military systems.

For instance, techniques to defend cities from short-range nuclear weapons, such as those fired from submarines, could have an impact on developments in anti-aircraft weapons, armour for tanks and other vehicles and new weapons systems for aircraft and ships.

The SDI techniques of relevance to these areas would include new satellite surveillance systems and novel forms of missiles that are fired by chemical rockets and guided by their own microscopic sensing devices, Mr Williams said.

Mr Michael Clark, deputy chairman of Plessey, told the conference he supports the idea of a strategic defence against nuclear weapons. He said future wars are probably inevitable and that he would rather see them fought in outer space, with the battles involving devices such as laser weapons and battle-management satellites, than on the ground.

Mr Jean-Louis Gergorin, senior vice president for corporate strategy at Matra, the French aerospace and defence company, said he would like to see Western Europe start its own military-oriented research programme that would be separate from both the SDI and Eureka, the proposed pan-European research project expected to concentrate on civilian technologies.

Mr Gergorin said the research programme could encompass microelectronics, advanced sensors, image analysis, military computers and software. Other activities could involve exotic weapons such as guns which accelerate small pellets with homing sensors by using electromagnetic forces produced by giant pulses of electricity.

Mr John Holt, managing director of the space and communications division of British Aerospace, said any company interested in innovation would want to participate in both the SDI and Eureka.

Participation, however, posed some problems, Mr Holt said. For instance, it consumes manpower in projects where commercial successes are not guaranteed.

It also means sharing company expertise with other groups. That has given rise to the fear that companies could lose rights to commercialising new ideas by giving away their secrets to competitors.

Eureka, said Mr Holt, should aim at tangible goals and be the result of market pull rather than technology push. He reminded the audience that British Aerospace was as well equipped as any company to join such collaborative programmes. It has agreements in the area of aircraft, weapons and space technology with 25 companies in 17 countries.

Dr Raffaele Palieri, managing director of Telettra, the Italian telecommunications company, said that the Eureka project should be organised to complement the Star Wars programme and not to oppose it.

"The advantages for industry from the programme are lower risks attached to long term investment, enlargement of the market and generally improved competitiveness," said Dr Palieri.

OVERSEAS NEWS

Egypt holds 'positive talks' with PLO

By Tony Walker in Cairo

EGYPT EXPECTED a "positive result" from its discussions with representatives of the Palestine Liberation Organisation. President Hosni Mubarak's senior adviser said yesterday after the first round of talks with a delegation led by Mr Yassir Arafat, the PLO chairman.

Dr Osama al-Baz, head of Mr Mubarak's political office, described the two hours of private talks between the Egyptian President and Mr Arafat – and a subsequent meeting between respective delegations – as positive, fruitful and satisfactory.

Mr Arafat, who is making his first state visit to Cairo since November, 1977 – just before the late President Anwar Sadat went to Jerusalem to make peace with Israel – has been accorded a subdued welcome in Egypt, reflecting Egyptian dismay at recent PLO guerrilla activities such as the hijacking of the cruise ship Achille Lauro, which has slowed Middle East peace efforts.

● King Hussein of Jordan, renewing his call for an international conference on the Middle East, yesterday reaffirmed his belief that the PLO should take part in any serious peace talks, Reuter reports from Luxembourg.

Indonesia sacks hundreds of oil workers

HUNDREDS of oil workers in Indonesia have been sacked for allegedly being associated at one time with the now banned Indonesian Communist Party, the PKI, Kieran Cooke reports from Jakarta. The state oil company, Pertamina, said it had sacked the workers on the orders of military intelligence. It did not say exactly how many had been sacked but 637 have been told to leave one company alone — Caltex, the biggest foreign oil company working in Indonesia.

Pertamina said the Government wanted to remove all people from what it called vital industries who might once have been associated with the PKI. The present Government blames the PKI for an attempted coup in Indonesia in 1965.

All the sacked oil workers are said at one time to have been members [illegible] associated with the [illegible]

Sri Lankan deficit

A steep rise in defence spending and depressed commodity prices have produced a record 30bn Sri Lankan rupees (£773m) deficit in the 1986 budget, Mervyn de Silva reports from Colombo.

In the Appropriation Bill presented yesterday by Mr Ronnie de Mel, the Finance Minister, the defence vote is Rs 5.8bn as against Rs 3.7bn for the Mahaveli River development project and Rs 3.6bn for education. Last year's defence vote was less than Rs 3bn.

Loan for Zaire

The World Bank will lend Zaire $550m between 1986 and 1988, the bank's permanent representative in Kinshasa told Reuters. He said the sum included $300m from the International Development Association and $150m from the special fund launched by the World Bank for sub-Saharan Africa earlier this year.

Taiwan relaxes curbs

THE Central Bank of Taiwan has relaxed its foreign exchange controls by allowing local and foreign individuals to participate in forward foreign exchange transactions, a bank official said, Reuter reports from Taipei. He said the move would help ease the pressure of rising foreign currency reserves, which total a record $20.5bn. It would also stimulate the local spot foreign exchange market.

S. Korea trade surplus

South Korea expects a trade surplus of $600m next year despite a $1.1bn deficit in 1984 and a smaller shortfall this year, Mr Kum Jin-Ho, Trade Minister, said in a report to President Chun Doo Hwan, Reuter writes from Seoul. The Government hopes to keep this year's trade deficit to $300m.

New Zealand budget

New Zealand's budget deficit rose 34.9 per cent to NZ$2.1bn (£827m) for the first six months of fiscal 1985-86 ending March against NZ$1.5bn in the same 1984 period, government accounts show, Reuter reports from Wellington.

Boesak's passport withdrawn as court is overruled

BY ANTHONY ROBINSON IN JOHANNESBURG

MR STOFFEL BOTHA, the South African Minister for Home Affairs, yesterday withdrew the passport of the Rev Allan Boesak, patron of the anti-apartheid United Democratic Front (UDF), in a move which virtually negated an earlier court decision to relax his bail conditions.

A provincial Cape court restored Mr Boesak's passport on Monday, part of a relaxation in bail terms which reduced the conditions of his bail from ten to three. Mr Boesak was arrested on August 28 for planning a march on Pollsmoor jail in support of jailed African National Congress (ANC) leader Mr Nelson Mandela, and released a month later on strict bail terms.

Mr Boesak described the move as "an act of petty vindictiveness and another sign that this Government has no respect for the court or the rule of law." He was due to fly to the U.S. to receive the Robert Kennedy Humanitarian Award later this month but his wife is now expected to represent him instead.

Meanwhile, the police have begun investigating a possible charge of contravening the internal security acts against the Cape Times which on Monday published a lengthy interview with Mr Oliver Tambo, leader of the African National Congress in exile. Mr Tambo is a banned person who may not be quoted under South African law without permission from the Minister of Law and Order while the ANC is a banned organisation.

In a separate move Mr Chris Heunis, the Minister for Constitutional Development, announced that 5,000 black municipal policemen will be trained over the next six months to act as auxiliaries to the regular police force whose own strength is to be increased by 11,000 men to 56,000 over the next 18 months. The municipal policemen will be under the control of the black local authorities and will be responsible for the enforcement of council by-laws as well as the maintenance of law and order.

South Africa's financial rand continued to bear the brunt of foreign investors' lack of confidence as the restricted currency traded close to its new low level of 23.75 US cents yesterday before firming to 23.50 cents. The market remains highly sensitive to small transactions given the limited size of the financial rand pool available for foreigners wishing to buy or sell South African assets. The commercial rand closed steady at 38.50 cents in featureless trading.

Nyerere's successor faces challenge over economy

BY MARY ANN FITZGERALD IN NAIROBI

TANZANIA'S ranking leadership changed hands yesterday when President Ali Hassan Mwinyi, 60, was officially sworn in as successor to Mr Julius Nyerere, 63. As the sole presidential candidate, handpicked by Mr Nyerere, Mr Mwinyi received 92 per cent of the vote in national one-party elections on October 27. Mr Nyerere has led Tanzanian since independence in 1961.

Mr Nyerere is only the [illegible] black African head of state to hand over power by constitutional process. He relinquishes his 24-year tenure as the country's leader at a time when his socialist policies have been called into question even by traditionally staunch supporters such as the Scandinavian countries, Tanzania's largest bilateral donors. Speaking at the landmark occasion, Mr Nyerere warned that Tanzania's economic ills would not be solved overnight.

Mr Mwinyi faces a major challenge in his new role. He has inherited a legacy of a stagnant industrial sector and declining agicultural yields that make Tanzania the world's 14th poorest nation.

The economy is beset by a 40 per cent inflation rate and a foreign debt of over $2.5bn. Last year GDP growth was 2.5 per cent, well below the annual population increase of 3.3 per cent. Much of the blame for this performance has been laid at Mr Nyerere's feet.

New blood at the top has led to speculation that application of the Socialist doctrine will become more flexible. Privately, many Tanzanians are hoping that this will be the case, but Mr Nyerere's imprint is likely

Mr Mwinyi: 92 per cent of vote

to be evident for some time to come.

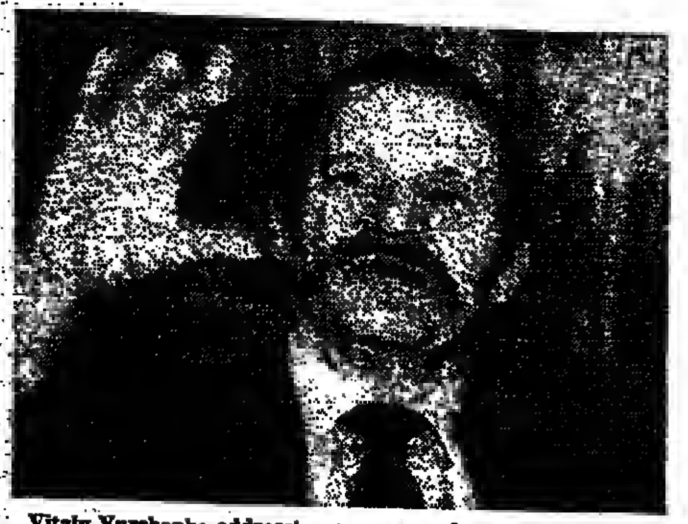
such as the World Bank. Speak-

Mr Mwinyi has held several cabinet posts and most recently was made president of Zanzibar in January 1984. His predecessor, Sheikh Aboud Jumbe, had been fomenting secessionist sentiments. It was Mr Mwinyi's subsequent success at welding the islands into the mainland system that probably earned him his present post.

He was responsible for introducing a duty-free port in Zanzibar and relaxing foreign exchange restrictions that allowed badly needed consumer goods to appear in the shops. Variations of this system were later introduced on the mainland.

Donor countries are pinning their hopes for the resurrection of the economy on renewed negotiations with the IMF.

AMERICAN NEWS



Vitaly Yurchenko addressing a press conference at the Soviet Embassy in Washington

US fails to find conspiracy behind 'double defector'

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE Reagan Administration was yesterday keeping its fingers crossed that the extraordinary affair of Mr Vitaly Yurchenko, the Soviet "double defector," would not undermine the US-Soviet summit that begins in Geneva in just under two weeks.

The preliminary assessment of both the White House and the Stata Department yesterday was that it was unlikely to do so. But there were inevitably nervous recollections of the celebrated U2 incident of May, 1960, in which American spyplane pilot Gary Powers was shot down over the Soviet Union 15 days before the four-power Paris summit conference between Eisenhower, Kruschev, MacMillan and De Gaulle. Kruschev, at least in the American *interpretattion*, used the US incident to wreck the summit.

Some intelligence analysts, including Mr William Colby, a former director of the Central Intelligence Agency, yesterday pointed to a remark by Mr Yurchenko at his Washington Press conference on Monday evening as a "key symbol" that Moscow was not looking for another such incident.

Mr Yurchenko said he was not sure that President Reagan had known about his alleged abduction and dissociated his captors from Mr William Casey, the *current CIA director.*

Political analysts, while admitting that Moscow may have wanted to embarrass the Administration and the CIA, found it hard to believe that the Soviet Union could really want to torpedo a summit to which it has itself attached such extreme importance.

Mr Mikhail Gorbachev, the Soviet leader, who has said that *the whole world is waiting for* a breakthrough on arms control in Geneva, could bardly want to risk the blame for desroying that opportunity for the sake of a mysterious spy affair

At least at diplomatic level, tempers on both sides appeared to be calming and the prospect of an undignified tug-of-war over Mr Yurcbenko in the run-up to the summit was receding.

The Soviet authorities appeared ready to allow Mr Yurchenko to be interviewed by U.S. authorities in a "non coercive" environment

Nobody official in Washington or Congress believed Mr Yurchenko's James Bond-like story of abduction in Italy and subsequent drugging and forced interrogation in the U.S.

The experts were divided, however, over wbether be was a genuine defector who changed his mind, or a KGB "plant" all along.

If be were planted, the conclusion appeared to be inescapable that be was ordered to make bis allegations in a blaze of publicity to unsettle the U.S. on the summit's eve.

Most, bowever, favonred the genuine defector theory. A senior intelligence source told the Washington Post yesterday that Mr Yurchenko bad passed a series of lie detector tests to establish his credibillty

Other officials pointed out that he had disclosed valuable information on Soviet agents in North America, including the name of an ex-CIA agent. Mr Michael Howard, who recently fled the US.

If his change of heart was gennine, the universal assumption was that *his* elaborate allegations against the CIA were intended to ingratiate himself sufficiently with the Soviet *anthorities to allow his return*

Previous Soviet defectors in the same situation have made remarkably similar allegations —most notably Mr Oleg Bitov, who defected to the UK while be was *in* Italy in 1983, *only* to return to Moscow last year.

Mr George Carver, a former deputy CIA director, criticised the American authorities for giving Mr Yurchenko too mucb *latitude, possibly allowing him* to make trips away from his "safe bouse" near Washington.

"The Soviets used his graphically to remind him wbat was likely to bappen to his family and he used it to take a powder, leaving a lot of egg on a lot of faces in the intelligence community," he said. With that last thougbt, nobody yesterday disagreed.

Brazil's industrial region hit by strike

BY ANDREW WHITLEY IN RIO DE JANEIRO

HUNDREDS of thousands of industrial workers went on strike yesterday in Sao Paulo state, Brazil's most important industrial region, at the start of an indefinite *stoppage* called jointly by the two rival, national trades union federations, Cut and Conclat. An estimated 600,000 workers were expected to coma out.

The *strike—the third major* stoppage in only seven months for many of those involved—is likaly to paralyse a significant chunk of Brazil's engineering, plastics, chemical and wood-*working* industry.

Called in support of renewed demands for a cut in the working week from 48 to 44 hours. 20 per cent ceal wage increases and, above all, quarterly wage *rises*, the strike is causing considerable political embarrassment to tbe government of President Jose Sarney.

Key municipal elections are due in Sao Paulo and other major cities in 10 days' time. There are gloomy forecasts that the strike action could seriously damage the already uncertain prospects of Senator Fernando Henrique Cardoso, candidate of the ruling Brazilian Democratic Movement Party (PMDB) in Sao Paulo.

Apart from being the largest city in South America, with a population of over 15m. Sao Paulo is the political stronghold of the PMDB. Its loss to the right wing candidate, former President Janio Quadros, would be a major blow to President Sarney's sbaky political base.

The opening day of the strike coincided with a scheduled nationwide broadcast last night by Sr Sarney, in which the president was expected to deliver a highly optimistic progress report on the economy since the civilian Government took office in March.

Venezuela cuts heavy crude prices to match Mexico

BY RICHARD JOHNS IN CARACAS

VENEZUELA *is* lowering prices for its heavy and ultra haavy crudes to match the 40 cent per barrel cut made by Mexico last week

At the same time the state oil corporation Petroleos de Venezuela (PDVSA) is raising prices for two refined products in tha middle distillate range in response to further market conditions.

It is understood that the rate for No 2 gasoil is going up by 3 cents per gallon and jet kerosene by 2 cents per gallon.

The lower cruda oil prices decided late on Monday night will apply to all varieties of 22 degrees API gravity and below, which are not covered by the *Organisation of* Petroleum Exporting Countries' price structure.

PDVSA is producing about 580,000 barrels a day of beavy crude. Products affected by the latest price change will involve about 200,000 b/d of products.

Oil officials bece were puzzled by Mexico's decision arguing that it would not increase offtake or have mnch positive impact on refining margins of established customers. However, they said, Venezuela had no choice but to follow suit.

O'Neill lobs budget reform grenade into Reagan's court

BY STEWART FLEMING, US ECONOMICS CORRESPONDENT IN WASHINGTON

"THEY PASSED us a hand grenade. We pulled the pin and handed it back. The danger is at some time it will blow us all up." That is the judgment of one Democrat in the U.S. House of Representatives in the wake of the spectacular political coup which Mr Tip O'Neill, the House Speaker, pulled off last Friday.

The hand grenade is the proposed reform of the congressional budget process drafted initially by Republican senators Mr Phil Gramm and Mr Warren Rudman and Democrat Mr Ernest Hollings.

The Bill passed the Senate last month with both the support of the Reagan Administration (the reservations of Mr Caspar Weinberger, the Defence Secretary, and Mr George Shultz, the Secretary of State, notwithstanding) and a comfortable bipartisan majority. Twenty-seven senate Democrats, including the prospective presidential candidate Mr Edward Kennedy un*expectedly flew* the colours of fiscal conservatism and backed the Bill, to the profound consternation of many Democrats in the house.

The irony of Mr Kennedy's stance was rudely underlined by the position taken by Mr O'Neill, another Irish American Boston politician, who dismissed it as a "Republican incumbent's protection Bill."

The fact that the Bill gathered such broad-based support in the Senate suggests that there are real fears on both sides of the aisle that the budget deficit issue, which clearly failed to excite the passions of voters in the 1984 presidential election, may indeed explode in Congress's face in the mid-term elections in 1986.

The Gramm-Rudman-Hollings Bill addressed that danger by promising to tackle the deficit problem . . . but not yet. It mandated a reduction in the budget deficit from the 1985 level of $211.9bn to zero in 1991 in annual chunks of $36bn. But the first cuts were not to be required until 1987.

The fiscal year 1986 (which began on October 1) budget deficit target was conveniently set at $180bn, a level which it was assumed would not require any politically unpopular steps to cut government spending immediately since that is roughly the scale of deficit Washington is expecting.

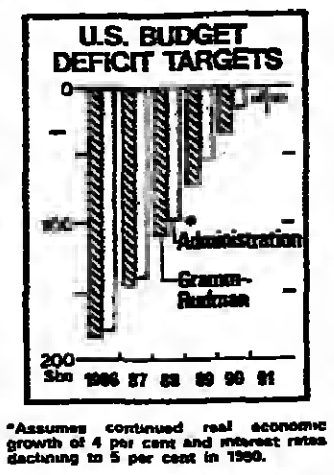
In future years, the bill demanded that Congress cut the deficit to the declining budget targets; if Congress failed then the President would be required to do the job for it. To sidestep the danger that voters might baulk at even the threat of budget cuts, some politically sensitive spending programmes were deliberately excluded from the risk of the presidential axe.

For three weeks beginning on October 16, a Senate House *conference committee* then juggled with what many saw as a piece of political dynamite amid fears within the Democratic Party that their Republican foes had them *cornered.*

The Democrats could hardly reject the Bill outright because that would expose them to charges that they really did not want to do anything about the deficit; charges which might lead to Republican victories in close congressional races next year.

However, most observers doubted that the splintered Democratic coalition would be able to muster enough unity to pass its own politically more palatable alternative.

Last Friday, however, Mr O'Neill pulled off what even some White House officials now describe as a "brilliant" coup. He succeeded in uniting all but two of the House Democratic majority behind a Democratic version of the Bill which had two (politically) salient features:



*Assumes continued real economic growth of 4 per cent and interest rates declining to 5 per cent in 1990.

- It would come into effect immediately assuming congressional and presidential approval;
- The maximum allowable deficit for fiscal 1986 would be $161bn.

The Democratic coalition was pulled together by roping off from mandatory cuts by the President some new areas — in particular certain welfare programmes for the poor which allowed the House black caucus to vote for the Bill — but not so many that right-wing southern Democrats felt they had to vote against it.

So the grenade has been lobbed back into the Senate, and now it is the White House and Senate Republicans who are worried. The Administration is privately projecting a budget deficit for 1986 of $190bn. *If the two key* provisions of the House version of the budget reform Bill were to become law, Mr Reagan would have to start right away making cuts in all sort of budget programmes which Republican voters might not like. The threat of the loss of Republican control of the Senate would loom even more ominously.

The White House must also now confront the embarrassing prospect that it might have to reverse itself and withdraw support for reforming the budget process. Mr Les Aspin, chairman of the House armed services committee, has predicted that as things stand 45 per cent of any automatic budget cuts required of the President might have to come out of defence spending; another chunk might have to come out of the farm budget.

This is clearly not the end of the story. The Senate plans to pass a revised version of the original Gramm-Rudman bill on Wednesday, and then it will be back to another House/Senate conference. The conferees will face a deadline of November 14, the day the Treasury says it will have to default on interest payments on the national debt if the Bill to increase the federal debt ceiling to $2 trillion (million million) is not approved before then. The debt increase Bill is currently tied to the budget process reform Bill.

What will happen? No one is sure. Many agree with Ms Alice Rivlin, the former director of the congressional budget office, who says that what is going on now on Capitol Hill has dramatised how absurd it is to try to cut the budget deficit by formula.

Perhaps Congress will see it like that and find some way of approving a new budget process which actually has no teeth and will, like the law calling for full employment, simply become an expression of good intentions.

"I think something will be approved, but weakened if not emasculated," says Mr William Schneider, a political analyst with the American Enterprise Institute.

Up to this point, however, one significant political event has occurred. The Democratic leadership has been able to unite the House in a way which Mr Schneider says has not been seen since the crushing defeat the party suffered in 1980.

Special circumstances, resentment against Mr Gramm, re-elected as a Republican in 1984, and resentment at the Senate for attempting to steam roller the House, may help to account for the unexpected unity. Mr Kevin Phillips, a Washington political consultant speculates that perhaps the Democrats are learning to exploit the Administration's weaknesses in the trade and budget areas—a worrying thought for their Republican rivals.

WORLD TRADE NEWS

Gatt sees more signs of trend to bilateral trade

BY WILLIAM DULLFORCE IN GENEVA

AMPLE FURTHER evidence of the trend towards biloteral trade arrangements, managed trade and competitive subsidies on exports has emerged over the past six months, the Secretariat of the General Agreement on Tariffs and Trade reported yesterday.

Bangladesh had become the first least-developed country to be subjected by the European Economic Community to trade restraints, the Secretariat said.

Japan, which had announced new market-opening measures during the period, had also called on several other Asian countries, including China and South Korea, to agree to voluntary restrictions oo textile and clothing exports.

The Secretariat's report prompted several industrial countries, including the U.S., Canada and Australia, to underline at yesterday's meeting of the Gatt council the urgent need to get a new round of multilateral trade negotiations going.

India, no the other hand, thought the deterioration in free trade created a poor climate for trade talks.

By reducing access to their markets, the developed countries were making it increasingly difficult for India and other developing countries to pursue their owo efforts to liberalise their trade, the Indian representative said.

The 14 per cent decline in trade-weighted terms in the dollar betweeo February and August, accelerated by the decisions of the Group of Five Western finance ministers in September, held out hope of an eventuol easing in the pressures on US producers, the Secretariat said. These pressures have fuelled demands for protection of US markets.

It was generally agreed, however, that the lower dollar would have little short-term impact on the US trade balance.

The stress of "fair" rather than "free trade" appeared to be an increasingly important factor in decisions by Japanese companies to set np manufacturing plants in western Europe and North America, the Secretariat said.

Ir found avidence thot countries were re-assessing the merits of countertrade. Its evidence, however, seems limited to on agreement lo principle by the Organisation of Petroleum Exporting Countries to phase out curreot barter deals by the end of 1985.

The decision, the Secretariat comments, reflects the severe strains placed on the world oil-pricing structure by countertrade involving crude oil.

Austrians share in E. German contract

By Patrick Blum in Vienna

AN AUSTRIAN and West German consortium has won a DM 250m (£64m) contract to rebuild and modernise the Schwedt petrochemical combine in East Germany.

The contract was signed just over a week ego in Berlin, Voest-Alpine, Austria's state-owned steel, engineering, electronics and trading group, said yesterday.

Voest-Alpine's share of the work will represent about 60 per cent of the contract value with the remaining 40 per cent going to Linde AG, of West Germany.

The work includes erecting new equipment for the production of hydroparaphine and diesel fuel, expanding the capecity of the plant including storage and loading. Work is expected to be completed by August 1988.

Hyundai signs $208.5m Iraq power plant order

BY STEVEN B. BUTLER IN SEOUL

HYUNDAI Engineering ond Construction, South Korea's leading contractor, has signed a $208.5m (£148m) contract with Iraq to build four high-voltage transformer stations in that country.

Coming less than o week after the oews that Hyundal had won a $754m (£538m) contract to build a ship repairyard in Iraq, the new project raises Hyundai's new contract total for the year to nearly $2bn.

Under the latest contract, Hyundai will build on o turnkey basis four 400-kilovolt transformer stations in the suburbs of Baghdad by the end of 1987.

A company spokesman said that much of the electrical equipment for the stations would come from Hyundai's sister-company, Hyundai Electrical Engineering Co.

Hyundai bas taken nearly balf of all South Korea's new overseas eontracts this year. Last year Hyundai signed new contracts worth $2.45bn, which amounted to 40 per cent of South Korea's total, well up from the company's historic avarage of obout 20 per cent.

A company officiel said that Hyundai would try to maintaio an annual volume of business of about $2bn, as it bas in recent years, and attributed the company's success to o gradual move away from simple civil engineering jobs to more sophisticated projects.

Libbey-Owens-Ford company of the US and Nippon Sheet Glass of Japan have received final authorisation from the South Korean Government to enter intn a safety-glass joint venture with Hankuk Glass Company.

The new company, to be called Hankuk Safety Glass, is the latest in a series of new foreign joint ventures that will provide world-class parts and components for Sonth Korea's rapidly growing car industry.

S. Africa to set up barter deal secretariat

By Anthony Robinson in Johannesburg

SOUTH AFRICA is to set np a "secretariat for non-conventional trade" which will assist and advise the private sector in setting up barter deals and counter-trade operations, President P. W. Botha announced at an oward-giving cermony for top exporters in Johannesburg.

Creation of the new secretariat, which will be part of South Africa's Department of Trade and Industry, comes against the background of growing sanctions moves against South Africa and at a time when re-negotiation of South Africa's $24bn (£17bn) foreign debt requires the mointenonce of a strong current-occount poyments surplus for debt servicing and capital repayment.

"The application of counter-trading practices has developed into an accepted International method of trading which can hardly be ignored and it is in the interests nf the republie that this method of trading be utilised," the President said.

The President also announced that South Africa was reviewing its export incentives system es part of its long term strategy of increasing its non-gold mannfactured exports.

The combinatinn of domestic recession and the depreciated rand led to a 17 per cent rise in export volumes and a 27 per cent drop in imports over the first half of this year.

Latest trade statistics for the first eight months show this trend is continuing, with exports at Rand 2.5bn and imports ot R 14.8bn to give a trade surplus of R 7.7bn.

The Government is concerned at the continuing bigh dependence on the mining industry, which provided 67 per cent of export income last year, end is anxious both to expand exports of manufactured goods and seek new merkets.

Burma rail deal for Alsthom

By Paul Betts in Paris

ALSTHOM, the French heavy engineering company controlled by the nationalised Compagnie Générale d'Electricité, has won a FFr 410m (£36m) order to supply 15 railway engines to Burma.

The contract also includes the supply by the French company of equipment and technical assistance to the Burma railways to modernise 26 other railway engines.

An EEC trade-in-services case is coming up for close scrutiny to-day

Brussels puts four member states in dock

BY JONATHAN CARR IN FRANKFURT AND CHRISTIAN TYLER IN LONDON

A HEARING at the European Court of Justice in Luxembourg today and tomorrow will receive specially close scrutiny from those who worry whether there will ever be a real common market in Europe.

The European Commission is putting four member states in the dock—West Germany, France, Denmark and Ireland—for allegedly flouting two articles in the Treaty of Rome that guaranteed freedom of trade in services across member states' boundaries.

Although the cases concern narrow and technical issues of market access fo certaio kinds of insurance, the psychological fall-out from the judgment will be considerable.

If the Commission is successful—and the preliminary opinion in about two months' time will provide the clues—then political efforts to "complete" the internal market by 1992 could be helped forward.

There are, of course, commercial as well as political interests at stake. In this case, it is the City of London, with its large and sophisticated insurance market that hopes to win a great deal of West German business.

Of the four defendants, therefore, West Germany is seen, in Londoo at least, as the most important. It is not just the size of the prize thar excites the insurance broking fraternity, but o feeling that West Germany, which boasts the most open market in Europe for goods, is the least opeo when it comes to services.

At first sight, it looks as if the European Court is faced with an open-and-shut case.

IT WAS Mr Franz Schleicher, an insurance broker from Bavaria, who put the cat among the pigeons, Jonathan Carr writes. Until 1981, he placed business for clients domiciled in West Germany with British insurance companies via British brokers.

The reason? The premium rates he could obtain that way were cheaper than those charged by insurance companies in West Germany.

Mr Schleicher was fined DM 18,000 (£4,600) for his pains by German authorities who argued he had broken German insurance supervisory law. This states that whoever procures a contract of insurance from, or underwrites on the authority of, an insurer not licensed in Germany, commits a summary offence.

Mr Schleicher holds that this law is incompatible with the Rome Treaty provisions on freedom of services in the Community. The European Commission gave him o sympathetic ear and has carried the issue to the European Court.

West Germany insists that, in most cases, foreign insurers be established in Germany and be authorised by German supervisory authorities in order to do business there.

Moreover, insurance brokers in West Germany can cover risks for customers only with insurers established in the Federal Republic.

These two provisions, in effect, seal off the West German market for insurers not established there which, in the view of West Germany's critics, is certainly not what the Community's founding fathers intended.

This is galling above all for Britain, which has trading strength in services such as insurance and banking—but is less strong in manufacturing in the face of West German competition.

West Germany is not the only country resistent to trade in services, but it is also by far the biggest European insurance market—one the British would love to see opened io full.

For all thot, the issue is not as straightforward as it seems. At the core of the problem are differing systems of insurance supervision, formed, above all, by historicol and psychological differences.

The Germans are protected by (or put up with) an eloborate all-embracing system of state supervision which tends to make Anglo-Saxon minds boggle.

The Federal Insurance Supervisory Office lo Berlin keeps detailed watch oo companies to ensure rules are respected on policy conditions, tariffs, spread of investments and so on.

For example, motor liebility insurance tariffs need government epproval, and are odjusted in accord with the claims and costs record of the individnal insurance company.

If the total return from motor insurance exceeds a certain percentage of premiums, refunds must be made to policyholders, according to a formula which for many members of the public seems pretty obscure.

The cardinal concern behind this is that consumers be protected—and hence that no company be allowed to fail.

Other Continental countries have a similar attitude to "state supervision," hut it is especially marked in West Germany with its bitter history in which hyper-inflation, financial collapse and political extremism were intertwined.

"Safety first—by a very long way," hes long been the motto, and there are fears that full freedom of services would undermine that principle.

"If foreigners want to do insurance business here, all they have to do is set up shop and respect our rules," the argument runs.

The counter-argument, above all from the British, is that the West German insurance consumer is being overprotected, that is, that West German companies can afford to charge high tariffs and make relatively easy profits, safe in the knowledge that competitors cannot swoop down on them from a foreign base.

British and other non-West German insurance companies have established themselves in West Germany; but why, it is asked, must establishment be a condition of doing business there.

After all, West Germans can sell manufactured goods in Britain without necessarily having a factory there!

MBB bids for Star Wars order

BY PETER MARSH

MBB of West Germany is bidding for an important Star Wars technology contract in partnership with Boeing, the US aerospace and defence contractor.

The two companies are making a joint submission to the Pentagon to organise an experiment on board a space shuttle in late 1987. The experiment would involve a test of an infra-red telescope capable of tracking space objects such as missiles.

The contract would be worth "a few tens of millions of dollars," Mr Bud Ekas, vice-president and general manager of Boeing's defence systems division, said in London yesterday.

Under the submission to the US Defence Department's Strategic Defence Initiative Organisation, the body which runs the $33bn (£23.5bn) Star Wars programme, Boeing would have overall charge of the experiment.

MBB, which is West Germany's biggest aerospace company, would provide a space platform, called SPAS, which the company has developed for civilian space applications and which would carry the telescope in orbit around the earth.

SPAS would be stored inside the cargo bay of a space shuttle until the vehicle reached an orbit above the atmosphere about 250 miles above the earth. At this point, astronauts would eject the platform from the bay with the telescope on board.

The instruments would continue to drift in orbit around the earth on board the platform, taking measurements of infra-red radiation from naturally-occurring space objects such as stars and planets.

The experiment could indicate the usefulness of the sensor as a device for tracking missiles in flight. Such sensing devices would be an important part of an operational Star Wars system designed to defend the West from nuclear warheads fired by the Soviet Union.

The telescope itself, called the designated optical tracker, is an existing device that was built in the early 1970s by Hughes Aircraft, another large US defence contractor.

British exports to Portugal grow by 24%

By Diana Smith in Lisbon

BRITISH EXPORTS to Portugal grew by 24 per cent in the first eight months of 1985, according to Mr Paul Channon, Britain's Trade Minister.

Mr Channon is visiting Portugal with a group of senior British businessmen as part of a drive to increase trade and investment there.

The impetus began during the Queen's visit in March.

This year's improvement in British exports is not enough to overturn the sizeable trade surplus Portugal has enjoyed for the past two years.

But Mr Channon hoped that by the end of the year, Britain will have sold £500m-worth of goods to Portugal.

Canute James examines the potential benefits of Canada's imports initiative

Mulroney lifts trade hopes in the Caribbean

THE PRIME MINISTER of Canada, Mr Brian Mulroney, has promised some relief to the hard-pressed economies of the English-speaking Caribbean, most of which have been earning less from their traditional exports and desperately need new markets.

Mr Mulroney has accepted a Caribbean suggestion that Canada establish a one-way free trade facility so Caribbean goods can enter the Canadian market duty free, increasing their competitiveness.

"We anticipate that the arrangements will cover 99 per cent of the goods which the Caribbean currently exports to Canada," he said.

The Canadian trade incentive to be named Caribcan, was suggested by the Caribbean leaders as being similar to the Reagan Administration's Caribbean Basin Initiative, but without the limitations of the U.S. scheme.

The CBI is a 12-year trade scheme, initiated in January, 1984, which allows 21 countries designated by Washington to ship a range of goods duty free to the United States.

Caribbean leaders, however, must be hoping that when Mr Mulroney presents the details of Caribcan in a few months, it will differ from the US scheme. It was put to him in terms which suggested that the region wanted a programme better than the CBI.

Mr Brian Mulroney

The main items they want to ship to Canada duty free are garments, cigars, footwear and rum.

The CBI has been coming under increasing criticism from Caribbean political and business leaders, who feel that the scheme is falling short of its promise. It is the economic arm of the Reagan Administration's Central American policy and was implemented in the belief that the region's economies, strengthened by greater sales to the US, would be less vulnerable to Cuban and Soviet influence.

Caribbean countries have bad reservations about provisions of the US programme which excludes garments, textiles, footwear and other leather goods, and petroleum products.

The region's leaders clearly hope that Canadian industry will be tolerant to these imports, which are the basis of its fledgling, but promising, light industrial sector. Fears voiced by US business that it could be affected by a flood of cheap Caribbean imports of garments and footwear which has led to their omission from the list of goods entitled to preferential treatment.

US imports of Caribbean products of the CBI list last year were valued at $577.7m (£401m), 7.7 per cent of all imports from designated countries. Total US imports of Caribbean products grew last year by $407m to $7.494bn. Caribbean economists say this growth would have happened anyhow because of an improvement in the US economy.

Further questions about the real value of the Caribbean Basin Initiative to the region are likely to be raised with the publication of US Commerce Department figures showing a fall in the value of Caribbean exports to the US in the first half of this year.

Mr Edward Seaga

Between January and June of this year, exports were $3.327bn, about one-third down on the same period of last year.

Several Caribbean prime ministers recently voiced their concern in a letter to President Ronald Reagan, saying their confidence in the CBI was being eroded and that they were worried at a tendency towards increasing protectionism by US legislators.

"It is . . . widely acknowledged that the CBI excludes products which are important in our industrial programme. The most noted omissions from the programme viewed in terms of their foreign exchange earnings and employment potential are textiles and garments, footwear and leather products," they wrote.

"In all our countries, this industry offers the best opportunity for quick development measures in terms of job creation with relatively low investment requirements."

The US is aware of the CBI's failing. Mr Ken Blakely, deputy director of the State Department's policy planning council, said: "The initial impact has been somewhat limited, but over the long run, opportunities to enter the United States, duty free, will provide tremendous stimulants for growth in the region."

It is unlikely, however, that the Canadian scheme, whatever its final shape, will do for the Caribbean what the CBI has not. Mr Mulroney, pointing out that already more than 90 per cent of items exported from this region to Canada enter duty free, said: "Obviously these things do impact on the Canadian treasury, but the free flow of trade is what we are all looking for."

BR announces £182m order for fast trains

BY ANDREW FISHER

BRITISH RAIL announced its biggest ever single batch of orders for passenger trains yesterday, but only about half of the £182m of work to build 652 new vehicles for local services has gone to its own engineering subsidiary.

The orders, part of an upgrading of the provincial network which will cost more than £400m, are the largest placed by BR since the £306m east coast electrification programme from London to Edinburgh in Scotland was authorised 15 months ago.

In March BR also signalled its intention of ordering about 1,500 locomotives in the next 25 years costing about £1.5bn, saying it would not necessarily buy British.

BR's subsidiary, British Rail Engineering Ltd (BREL), said it had won about £96m of the latest orders, with the rest being shared between Metro-Cammell, part of the Laird Group, and Leyland Vehicles, a BL subsidiary.

But BREL, which has been shedding jobs and seeking more export business in recent years, said it was disappointed not to have won a larger slice of the business. This was put out to competitive tender in line with the BR policy adopted 18 months ago.

Tha new vehicles are for non-Inter City diesel services on local, regional and suburban routes, and for the electric cross-London link which BR plans to start again in 1988. BREL will build the electric vehicles.

Mr John Edmonds, the provincial sector director, said that with the new investment "BR is demonstrating its commitment to maintaining and substantially upgrading the services on its provincial lines. They are no longer the Cinderella routes of the railway."

BR said it would be spending about £2m a week on new trains over the next three years. Most of the orders are for 468 Sprinter diesel vehicles to run on local and cross-country services outside the south-east, replacing slower, less comfortable and less reliable trains 25 years old.

Of these, BREL will build 170 at its York plant, with Birmingham-based Metro-Cammell building 228, and Leyland Vehicles of Workington the remaining 70.

Delivery of the units, to operate as two-vehicle sets of which one will be powered, is due to start in 1986 and end two years later.

By the time the last Sprinter is delivered, more than half the provincial fleet of 2,500 vehicles will have been renewed.

The greater efficiency of the new diesel vehicles, however, means that three existing units can be replaced by two Sprinters, thus leaving a fleet requirement of about 1,700.

The share of the new business going to BREL will provide job security at York for about 2,700 people until March, 1988. Its Sprinter work will be worth £40m and the electric trains for the cross-London route will be worth £56m.

Last May, BREL said it was cutting 4,800 jobs over the next two years and closing the Swindon repair works in Wiltshire by next March.

Repair and maintenance work is lessening as more robust and efficient trains are introduced.

Sinclair C5 project ends in liquidation

By John Griffiths

SIR CLIVE SINCLAIR'S C5 electric vehicle project finally came to an end yesterday with the appointment of a liquidator.

Mr Christopher Morris, a partner of Touche, Ross, was appointed to liquidate TPD, formerly Sinclair Vehicles, at a creditors' meeting.

TPD came into being on September 19, along with a sales subsidiary, Sinclair Vehicles Sales. About 100 creditors were told that Sir Clive himself would be a secured creditor, having lent the company £5.9m against a debenture.

Creditors were told that altogether £8.6m had been lost in the venture and that its total deficiency stood at £8.4m. About 4,800 of the electric tricycles remain to be sold.

Receivers from Begbie, Pickering, who were called in during mid-October, had estimated that unsecured suppliers were owed about £750,000 while Sir Clive was owed £7m.

Mr David Sapte and Mr Anthony Locke, the receivers, had nursed hopes that the company could be sold as a going concern. They intended to keep the sales company in operation but acknowledged that the chances of resuming production – which ended in August – were slight.

Government launches new inflation-proof savings bond

BY GEORGE GRAHAM

NATIONAL SAVINGS, the UK Government-controlled savings bank, has broken fresh ground with a new form of inflation-proofed investment bond.

The indexed-income bond offers an income which rises each year in line with changes in the Retail Price Index. The capital value of the bond remains the same and is returned at the end of its 10-year life.

The rate of interest for the first year will be 8 per cent, with income paid monthly. No tax is deducted at source, but the interest is liable to income tax. The new bond will go on sale on November 11, with a minimum investment of £5,000.

National Savings is already involved in the market for inflation-proofed savings with its index-linked certificate, still known as the granny bond, although it is now also available to those under 65 years old. About £4.5bn of these now exist.

The granny bond, however, offers an index-linked capital value, rather than income. It is also free of tax.

The decision to launch the new bond has puzzled some observers, since it is not immediately clear what type of investor will find it attractive.

London stockbrokers Phillips & Drew estimated that the true annual net return for a basic rate taxpayer would be about 6.33 per cent over its 10-year life, if inflation averaged 5 per cent, compared with about 7.4 per cent on a conventional low coupon gilt-edged government stock.

For higher rate taxpayers the return on the indexed-income bond would be an estimated 3.6 per cent, compared with 6.35 per cent from a low coupon gilt.

Mr Tim Melville-Ross, chief executive of the Nationwide Building Society, which has pioneered index-linked mortgage lending, said the bond appeared to be neither one thing nor the other.

The indexed-income bond is not expected to contribute heavily to National Savings' net sales, since demand for index-linked savings products has declined in the last three years with falling rates of inflation.

TUC tackles pit union problem

BY PHILIP BASSETT, LABOUR CORRESPONDENT

TRADES UNION CONGRESS (TUC) leaders will today meet the executive of the National Union of Mineworkers (NUM) in a first formal attempt to resolve difficulties posed to both bodies by the breakaway Union of Democratic Mineworkers (UDM). The new union received a further boost yesterday when Daw Mill, a large pit in the Midlands of England, voted by 3 to 1 to join it.

Prospects for the TUC meeting managing to find a solution to the problem posed by the formation of the UDM look slim. The TUC is maintaining that it cannot recognise a breakaway from an affiliated organisation, while Mr Arthur Scargill, NUM president, does not acknowledge the UDM's existence as a trade union. The new union now claims membership in excess of 36,000.

Former NUM officials at Daw Mill, which in the main worked throughout the miners' strike, toasted in champagne the future of the UDM when the result of the 24-hour-long secret pithead ballot was announced. Of 1,139 votes cast, 861 were in favour of joining the UDM, with 278 against – a majority of 75.6 per cent.

Mr Dick Emery, former NUM branch secretary, said the result was "absolutely marvellous." He said it was time Mr Scargill was brought back down to ground level. Mr Ian MacGregor, NCB chairman, welcomed the decision, and hoped it would lead to "constructive discussions about the future of this highly productive mine."

NUM leaders will also today try to come to a decision about the NCB's latest pay proposals in an executive meeting due to take place after the union has seen the TUC.

Rail tunnel worries force EuroRoute to amend Channel plan

BY ANDREW TAYLOR

EUROROUTE, one of the principal contenders bidding to build a fixed link across the Channel between England and France appears to be facing problems over its plans to lay a submerged rail tunnel across the seabed.

The Anglo-French consortium has now submitted two versions of the tunnel to the British and French governments. The original version, and still EuroRoute's main option, provides for the rail tunnel to be completed 18 months after a road link across the Channel, also to be built by EuroRoute, is opened.

British Rail and SNCF, the French-owned state railway, however, have argued that more than a third of cross-Channel rail traffic could divert to the road link if the completion of the rail tunnel was delayed. Much of this business would be lost permanently, they argue.

The French Government is also understood to be concerned about EuroRoute's commitment to the rail tunnel, which is to be financed separately from the road link.

In the face of this pressure EuroRoute has produced a second version of the plan providing for a broad rail tunnel which could be constructed simultaneously with the road scheme. This involves an adventurous combination of bridges leading out to artificial islands and connected by a tunnel mid-Channel.

EuroRoute, which is headed in the UK by Sir Nigel Broackes, chairman of Trafalgar House, said last night that the submerged rail tunnel remained its main option, but it was having discussions with BR and SNCF about the possibilities of bringing forward the completion date of the tunnel.

The timing and method of construction on the rail link is crucial to EuroRoute's costing. By delaying the construction of the rail tunnel until after the road scheme is completed it says it would be able to defray the cost of the rail scheme by using the same dredging equipment purchased and used on the road scheme.

Altogether, 10 separate applications were submitted last week for a licence to build a privately financed fixed link across the Channel. The British and French governments said that of the 10 schemes only four had complied with the guidelines published by the two governments last April. The four applicants accepted by the two governments were EuroRoute; Channel Tunnel Group, proposing a twin bore rail tunnel; Eurobridge, proposing a road bridge with 5km spans; and Channel Expressway, backed by Sea Containers, the Bermuda-based shipping group, proposing a twin-motorway tunnel incorporating a rail track.

UK NEWS

Banks give strong response to BP's financial reshaping

BY ALEXANDER NICOLL

BRITISH PETROLEUM (BP) has received a strong response from banks to plans for a sweeping reorganisation of its short-term finances. The company said yesterday that it has arranged $6.5bn of credit lines and plans commercial paper programmes totalling $2bn.

BP sought bids from 90 banks for a $1.5bn committed standby credit and $5bn of uncommitted credit to replace $3.8bn of existing lines. It was attempting to cut costs not only by seeking very fine lending terms, but also by arranging the deal through its own in-house bank, British Petroleum Finance International (BPFI).

The company has accepted bids from 56 out of 71 banks which offered a total of $11.6bn, made up of $4.2bn of committed and $7.6bn of uncommitted money. As a result of the acceptances, Japanese banks now make up a larger proportion of those with which BP has relationships, and US banks a smaller proportion.

Mr John Browne, chief executive of BPFI, said: "We were overwhelmed with offers, and are delighted about the response of the banks. We have reaffirmed banking relationships and created new ones."

He would not comment on the cost of the deal. Banks, however, are thought to have had to swallow a steep reduction in their earnings from loans to BP in order to continue doing business with the company. It was believed that BP may have at least halved the average annual fee it will pay to the banks to about four basis points [hundredths of a percentage point], and that its terms will rank among the finest ever achieved by a corporate borrower in the Euromarkets.

The $1.5bn seven-year underwritten credit will be used as a backup for US commercial paper issues of up to the same amount. The company already issues this paper, but has reorganised the programme and appointed First Boston and Salomon Brothers as joint dealers, replacing Goldman Sachs, which is understood to have a policy of not accepting joint dealerships.

Ministers to review inner city spending

By Nick Bunker

THE GOVERNMENT has begun a ministerial review of the value for money of public spending on special assistance to the inner cities. Programmes accounting for £503m in 1984-85 are to be examined.

An inter-departmental group headed by Mr Douglas Hurd, the Home Secretary and Mr Kenneth Baker, the Environment Secretary, began meeting two weeks ago.

They will look at the cost-effectiveness of job creation under the Urban Programme, which channelled £338m this year into inner cities through local authorities.

They will also examine the value for money of projects undertaken by the urban development corporations, such as the Mersey Development Corporation in Liverpool

Derelict land grants, worth £81m in 1984-85, will also be reviewed. The Government stressed last night that it sees the whole exercise not as the prelude to cuts, but as a way of securing more effective use of resources.

Malaysian car heads for British launch

BY CHRIS SHERWELL AND WONG SULONG IN KUALA LUMPUR

TWO EXAMPLES of Malaysia's "national car," the Proton Saga, are due to arrive in the UK within the next two weeks to undergo testing of their ability to meet British legislative standards.

This should lead to the car's launch – under another name – at the UK motor show in Birmingham next October.

The privately owned importer, Proton Cars UK, hopes to sell "several thousand" a year through a network of 90 dealers. The UK company is a subsidiary of Mainland Investments, with headquarters at Warrington, Cheshire. It has a number of retail car franchises in the north-west of England. Its managing director is Mr Harry Knopp, a former managing director of Lada Cars GB.

While formal dealer agreements have yet to be signed, a spokesman for Proton Cars UK said yesterday that dealers representing "a good percentage" of the planned network had already indicated their desire to take the franchise.

John Griffiths writes: Jaguar Cars' production reached a new record level of 28,200 units in the first nine months of this year, 14 per cent higher than in the same period last year.

Sales also set a new record at 26,823 – a 9 per cent increase over the 1984 period.

In line with its goal of reducing dependence on the US market – which absorbed 13,265 cars in the first three quarters, up 5 per cent – Jaguar increased sales in Europe over the period by 27 per cent.

The greatest increase was in West Germany, heartland of Jaguar's two main rivals, Mercedes and BMW, where sales reached 1,897 units against 1,412 in the same period of last year.

Sales in the US remain extremely buoyant, however. Jaguar reported that sales in October set a new record for a single month of 2,619 cars with a showroom value of £64m. For the first 10 months, US sales are up 12 per cent at 15,884 cars.

Growth in economy 'free of constraints'

By Philip Stephens, Economic Correspondent

THERE ARE no obvious capacity constraints which would prevent Britain's economy from growing at a much faster rate than seen over the last five years, according to a report published today.

The inter-party pressure group Charter for Jobs says in its latest Economic Report that fears that industry could not significantly expand its output without running into shortages of capital equipment or skilled labour are unfounded.

Recent studies from the London Business School, based on data from the Confederation of British Industry's (CBI) quarterly industrial trends survey, have suggested that manufacturing companies are now working at close to their maximum capacity.

Charter for Jobs, however, argues that while it is clear that Britain's capital stock has been badly hit over the last six years the main obstacle to higher output remains lack of demand.

Citibank freed from subpoena over release of documents

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

CITIBANK has been freed from a subpoena requiring it to produce documents from its New York head office for use in a pending English High Court action involving alleged international fraud.

In the High Court in London yesterday Mr Justice Hoffmann said that the subpoena and an order that Citibank, which is not a party to the pending action, allow the documents to be inspected and copied, were an infringement of US sovereignty.

Discharging both the subpoena and the order, the judge said that it should be possible to obtain the documents through the New York court, which would give Citibank the protection of a New York court order, before the English trial starts later this month.

The judge said that the issue was important, especially to foreign banks such as Citibank with branches in London.

The background to it was international fraud. An Australian-born businessman, Mr Kenneth MacKinnon, had started an action alleging that he had been swindled out of $250,000 by two defendants to his action, Mr Alan Shephard and Mr Raymond Lanciault.

He alleged that they had pretended that, through certain US and Hong Kong companies and a Liechtenstein corporation, they would procure him a $360m loan to buy a property in Hong Kong.

Mr MacKinnon paid a $250,000 advance fee into the Citibank, New York, account of a Bahaman company, International Advisory Services (1979).

He now claimed that there had been no intention or ability to get him the loan, and that it had been a scheme to defraud him. Because International Advisory Services (1979) had since ceased to exist, Mr MacKinnon wanted to get details of its Citibank account from the bank itself.

He obtained inspection orders and subpoenas against Citibank and also against Chase Manhattan Bank and Bank of America in respect of other documents relevant to the alleged fraud.

Chase Manhattan and Bank of America had raised no objection but Citibank argued that the subpoena and order exceeded the High Court's international jurisdiction and infringed US sovereignty.

Mr Justice Hoffmann said that what was required was the production by someone not a party to litigation of documents outside the UK concerning business it had transacted outside the UK.

Only in exceptional circumstances should such a requirement be imposed on a foreign corporation, and in particular a foreign bank, the judge said. "The need to exercise the court's jurisdiction with due regard to the sovereignty of others is particularly important in the case of banks.

"Banks are in a special position because their documents are almost invariably concerned not only with their own business but with that of their customers. They will owe their customers a duty of confidence regulated by the law of the country where the account is kept."

If every country where a bank happened to carry on business asserted a right to require that bank to produce documents relating to accounts kept in another country, banks would be in the unhappy position of being forced to submit to whichever country could apply the greatest pressure.

It was not an exceptional case justifying the making of an exorbitant order, the judge concluded. There was no question of hot pursuit. The $250,000 had almost certainly been long ago spirited away. Mr MacKinnon had not satisfactorily explained why he had left his move against the bank so late when the relevance of the documents must have been known since his action was started.

Nor was the judge satisfied that it would not be possible to get the documents from the New York court before the trial started on November 25. Citibank had said it was willing to co-operate in that regard.

Net pay less for UK executives, says survey

BY JAMES McDONALD

MANAGING DIRECTORS in Britain rank behind their counterparts in Italy, Spain, Austria and Australia in a comparison of pay and purchasing power carried out by Inbucon, management consultants.

Executives in France, Germany, the US and Canada are taking home nearly two thirds as much again in earnings as their British counterparts, says Inbucon in an article in this month's Director magazine, published by the Institute of Directors.

Mr Donald McClune, manager of Inbucon's international salary research branch, gives as an example a French managing director of a company with a sterling equivalent turnover of £20m a year and says he gets a much larger gross salary than his British counterpart.

The Frenchman's living costs are about 3 per cent below those in Britain and, if he is married with a family, he will have a much more lenient income tax level.

"After the tax and after adjusting for cost of living the French managing director is left with 63 per cent more to spend than the equivalent British managing director," Mr McClune says.

A survey of executive salary increases over the last 10 years, reported by Inbucon, shows that directors' salaries kept pace with inflation until about 1983.

Since then, increases have been higher than the current rate of inflation.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

R&D at Hewlett-Packard

Keeping close to reality

Peter Marsh on the US electronics group's approach to innovation

TECHNOLOGY researchers must have freedom to think but at the same time not lose sight of commercial disciplines—that is the unwritten rule of research managers in most quarters of industry.

Yet practising this rule is far from easy. Unconstrained "creative" thinking has led to many of the technology world's commercial disasters, while heavy-handed supervision of scientists can curtail their free-wheeling style and kill good ideas at birth.

Hewlett-Packard, the U.S. electronics group with a turnover of $6bn and some 50 separate product divisions, has probably come as near as anyone to finding the right approach.

With a set of management methods thought out over 20 years, it attempts to keep its research staff flexible and alive to new thoughts. At the same time, Hewlett-Packard keeps these people in touch with commercial realities via a loosely-configured network of relationships with staff at the selling end of the company's activities.

This network is crucial to the company's success, according to Dr Don Hammond, director of Hewlett-Packard's Bristol research centre. The centre is one of six run by the company (as part of Hewlett-Packard Laboratories) to concentrate on long-term scientific investigations.

"Each laboratory head knows that if he is to succeed, his products must make it into the divisions," says Hammond.

Hammond, 58, was one of the original directors of the 1,200-strong Hewlett-Packard Laboratories, which was founded in 1965. He came to Britain last year to oversee the setting up of the Bristol centre, the only one of the six establishments that is outside Palo Alto, California.

The laboratories spend some $90m a year on long-term research. Hewlett-Packard spends a further $500m on "applied" aspects of research and development, activities left to the product divisions themselves. The latter are concerned with anything from medical equipment to office systems to instruments for factory automation.

HEWLETT-PACKARD picked Bristol for the site of its first research laboratory outside California after a long search in which it examined alternatives, both in Europe and the U.S.

The research centre, set up a year ago to specialise in work on new computer systems and software, employs 50 people, a number scheduled to grow to 170 by 1988. The establishment is next door to a Hewlett-Packard factory that makes computer peripherals such as disc drives.

According to Don Hammond, director of the centre, Hewlett Packard examined the merits of Seattle, Boston, North Carolina, Hawaii and Colorado (as well as various European sites) before plumping for Britain's West Country.

The main reason for setting up a research centre outside California was to obtain new technical and scientific thrusts—to avoid what Hammond calls the "bandwagonism" that can follow the grouping of researchers in one location. Hewlett-Packard also wanted a research centre in Europe to reflect the fact that 30 per cent of its sales come from this market.

The UK was chosen because of the good quality of its researchers in computers and related disciplines. This has been borne out in the recruiting process for the Bristol centre. Hammond says he has been astounded by the high quality of applicants for jobs, particularly from people in their 20s. Bristol finally won out over the other contenders for its good housing and countryside and pleasant climate.

The budget for the research laboratories is fixed at 1.43 per cent of the previous year's turnover of the group.

Bill Hewlett and David Packard, the company's founders, originally set the ratio at 1.5 per cent. The ratio was later reduced slightly — the remaining sum being allocated to corporate research.

Even though Hewlett-Packard has suffered its share of the computer world's current problems—sales have dipped and the company's managers recently had to take a 5 per cent pay cut—no one is considering changing the ratio. "Our job is to make top management feel good about that 1.43 per cent," says Hammond. "We don't take it for granted but as long as we perform well, we think it will last."

Quantifying the performance of research laboratories is notoriously difficult. Hewlett Packard's technique is every year to give each of the six centres a set of broad strategic guidelines. This is done through discussions between the laboratory heads and Joel Birnbaum, the company's vice-president of research and development, who reports directly to John Young, the chief executive.

The guidelines are deliberately vague—what is more they can be modified very easily through personal contacts between laboratory workers and people in the operating divisions.

Researchers are encouraged to spend as much time as possible on the factory floors at the divisions to pick up ideas for product or process improvements from manufacturing problems.

There is a rigid policy to monitor the course of technology innovations from their appearance in the laboratories to their incorporation in products.

Each year, the director of each laboratory attempts to relate his annual budget to the percentage of company profits that can be ascribed to advances made at his research centre.

There is often some wrangling (mostly good-humoured) about how much of a contribution a specific laboratory made to a certain product. The figures are obviously open to interpretation and are used more as indicators than for strict accounting purposes.

With these provisos, the figures normally show that profits due to technical advances are two or three times greater than the sum spent on the original research. If it does nothing else, the rigmarole keeps researchers on their toes and presses home the point that they are accountable to the world outside the laboratory.

As a rough guide, Hammond says that between 100 and 200 different technology thrusts are taking place in the six laboratories. About half of them (20 at any one time) eventually make an impact on a product about to enter the market place. The technologies could include, for instance, new kinds of computer architecture, advanced chip-making techniques or novel ink-jets for office printers.

The onus is on the laboratories, not the operating divisions, to come up with the radical thoughts for future activities. That is the case, in particular, in research in artificial intelligence that could provide new forms of "thinking" computers, an area under special study at the Bristol centre.

Dr John Taylor, recruited to serve as second-in-command to Hammond in Bristol from a top job at the Ministry of Defence's Admiralty Research Establishment in Portsmouth, contrasts this with the "customer-contractor" approach commonly adopted in the research community.

In this, the roles are reversed in that the selling divisions of a company (or the central departments of a government organisation) come up with specific research goals and expect their laboratories to meet them.

The customer-contractor technique has merits in that it forces people to think in a focused way and is relatively simple to administer and cost. The drawback, however, is that it compels people to think in constrained channels and can cut out creativity.

While Hewlett-Packard insists on a management structure (albeit an informal one) which keeps researchers tied into the company's operating divisions, it attempts still to leave individual scientists time for unorthodox approaches.

Taylor says that staff are told to spend 5-10 per cent of their time on "unauthorised ideas," in other words activities that senior managers have not approved. "These are different approaches to a problem — what scientists call 'under the bench' work."

Company policy is to keep vague the very titles of the six laboratories—they mostly have anodyne names such as "systems performance"—and to change the centres' overall brief every three or so years.

"If you give these centres titles that are too tight, you limit researchers' licence to invent. We don't want people to be highly focused—we want people who come up with great ideas."

Individual projects may swiftly cease in the light of changes in technical or market considerations. "You tell people they mustn't be destroyed if their favourite projects come to an end," says Taylor. "Research laboratories are often littered with projects that no-one has known how to stop. We have to hire people who can go from job to job."

Perhaps Hammond is showing a romantic streak when he calls Hewlett-Packard researchers "renaissance people." They may have to change tack technically half a dozen times during their career as well as know something about marketing, management and manufacturing. They may be working on projects that will pay off, in terms of a product or process innovation, in anything between two and 10 years.

In an interesting aside, Hammond points to the rarely discussed problem of giving scientists visible signs of success.

This management problem, says Hammond, can sometimes lead to the need to cut off a research programme early, not because it is unpromising but simply to feed an idea into Hewlett Packard's selling divisions with which an individual researcher can identify.

Such a policy, according to Hammond, reduces the chance of the company gaining a substantial reward—in other words it substitutes the certainty of a small technical advance for the possibility of a substantial breakthrough—but keeps its researchers happy and performing well.

"It is possible that the success rate of a laboratory can be too high. You take some losses (in terms of researchers' attitudes) if you keep going after the high stakes. We must be aware not only of financial risks, but about people risks."

Trevor Humphries

Don Hammond: refers to his researchers as "renaissance people"; they may have to change technical tack half a dozen times in their careers

Labour relations

'Not enough change has taken place'

HAS THE management of labour and labour relations really improved over the past seven years of decline in British manufacturing? No. If anything it has worsened, according to Professor Chris Higgins, director of Bradford University's Management Centre.

From his vantage point at the former Victorian Congregationalist Training College that now houses the centre, Higgins has monitored the performance of managers in learning lessons within British industry and concludes that it looks to have been very patchy indeed—a view which cuts across that which Government ministers appear to believe.

White managers are more clued up on how to market their companies and products and are much better at coping with information technology, they might actually be doing worse when it comes to dealing with the men and women who work for them.

"I suggest that in manufacturing more than half the companies are doing less consultation with their workforces—whatever they might claim," says Higgins. "Management is tougher, and I believe the more enlightened very senior managers are worried about this. Whatever Mrs Thatcher might think or say there is often a greater degree of polarisation in a company than there was before."

It is an opinion that does not go down too well with those who believe that recession has transmitted fundamental shockwaves for the better through the ranks of the country's middle managers.

Higgins, the former economic planning director for IPC, the publishing group, and the management centre's director for 14 years, sees a thousand managers a year from a cross section of manufacturing and service companies attend courses at Bradford, some tailor-made for them at the centre. This is beside the management research projects for individual companies undertaken by the centre and its throughput of 650 undergraduate and post-graduate management students.

The area he works in, too, once a great bastion of production but like so many Northern and Midlands cities, now fallen on much harder times, encompasses scores of companies whose managements either have or have not come to terms with change.

Some good things have certainly been happening, he argues. For one, professional managers have become a bit more professional.

Smaller manufacturing companies are also taking on professional engineers where in the past they either did not want them or could not attract them, he says.

But Higgins identifies plenty of adverse developments. "I do not think companies have gained much from the political climate. I think it has tended to help the less good managers in dealing with the shop floor." He believes that in stark contrast to what some managers might argue, companies need to go back to what they did in the 1970s—which, for many of them, was the adoption of more meaningful consultation than they practice now.

Some of the changes he sees are not clear cut. An increasing number of managers are thinking more before making decisions—which is good—but only in the short term rather than taking the Japanese style long view, argues Higgins.

"In some companies middle managers are becoming more risk aversive," he says, meaning that companies are recruiting more "organisation men" who fit into the company's culture. That is probably helpful if the company's culture is good, not so healthy if it is not.

It all comes down to a company's culture, says Higgins, and the best companies tend to be those not only with a strong internal ethos but which also use educational establishments (which presumably includes his own).

Nick Garnett

TECHNOLOGY

EDITED BY ALAN CANE

Roy Garner in Tokyo reports on export openings for the West in office automation

Sunrise for software

PRESSURE ON Japan to increase its imports has rarely been stronger but there is one import the Japanese will always welcome—western software expertise.

In office automation the Japanese have faithfully followed the promises of their industry leaders and bought business and personal computers in large quantities.

Failure to provide the necessary software, however, has led to a block to further growth. Enterprising foreign companies and individuals are capitalising on this.

Japan has of course faced special difficulties in O/A, the primary problem being the complex written forms of the Japanese language.

Of almost equal handicap is that Japanese engineers, although trained in software technologies, lack expertise when organising innovative software development programs. On the sociological plane progress is further frustrated by the age-old custom of inter-departmental communication by means of hand-written notes.

Taking the broadest perspective, many in O/A believe no real substantial progress in broadening the use of office technologies can occur until a way is found to circumvent the use of the keyboard.

In Japanese offices those in busy middle-management positions and above have largely given up on earlier attempts to master personal skills in using office computers and information terminals and are resigned to acting as the supervisors of such work as handled by lower-level staff

Bringing the Japanese executive into O/A will ultimately involve developing a device allowing input or access of information by such methods as voice and interactive graphics.

In the meantime companies are concentrating on improving conventional equipment.

MicroPro of the US came into Japan three years ago to market its English language Word Star word-processing softwares and has just launched TwinStar, its first software package fully customised to Japan. Its experience can offer lessons for others contemplating entry

Mr Kirk Hurford, MicroPro's managing director in Japan, says that while market potential is enormous the growth rate of business software is not enough to favour a straight investment approach. MicroPro planned to use funds from the sale of its English language software to holster the high costs of starting its operations.

The aim was to develop a software package which could offer simultaneous operation with both kanji (Chinese characters used in the Japanese language) and English language word processing functions. With Japanese systems the user normally must choose either one language or the other.

Mr Hurford recalls that at the planning stage of TwinStar the company's first problem came in deciding what the Japanese customer needed.

"In Japan the concepts of word-processing were very naive; nobody really knew what word processing was. Whereas people in the West have used word-processing concepts for the past 50 years or so, the Japanese don't have a feeling for the process. Japanese 'word-processing' products which handle kanji and use lots of graphics are what we would usually call editors, not word-processors."

MicroPro's primary task was consequently identified as educating the consumer about just what a word-processor could offer. Mr Hurford was convinced that if his company's word-processing softwares could be modified to accommodate Japanese requirements, notably for sophisticated graphics, their product could be ahead of the competition.

Market research was the next obstacle. The company has found this a little-developed science in Japan, with manufacturers simply putting a product on the market and waiting to see if it sells, an approach MicroPro felt unsuitable.

MicroPro solved this by providing distributors with detailed descriptions of planned products and then basing the judgment of their potential on the volume of goods the distributors said they would be prepared to order.

When it came to writing the TwinStar software it was essential to have Japanese programmers guiding the process to ensure effective handling of language problems. Research showed, however, that many Japanese software development programs were failing because the programmers were using a hardware development planning approach for software projects.

"Japanese management don't realise that you can't throw people at a software problem," said Mr Hurford, who feels that such difficulties have been behind problems in Japan's 5th generation computer project.

An optimistic view of market potential is also held by Mr Bill Margerison of the US, who has recently formed his own word-processing and general communications functions software company, Nippon Computools.

Mr Margerison says users seek improved file transfer capabilities to ensure exact document duplication and automatic conversion of data into a receiving site's format, communications functions (making use of the recent relaxation of telecommunication regulations), domestic electronic mail using kanji characters and graphics-oriented software able to handle the design and processing of such documents as flyers and pamphlets, which normally need an outsider printing company.

Computool's main product is the "CompuComm" software, which offers "Japanese" w/p functions for personal computers.

Mr John Elemans, a specialist in office systems software who works on a contract basis for Japanese companies, says there are "endless opportunities" in Japan for foreigners with software skills.

Mr Elemans echoes Mr Hurford's view of a widespread ignorance of the potentials of office systems. Software developers, he says, "never think about who's going to use the software, or how to use it, and the user-support is pathetic."

Users also have "an incredible amount of naivety," he says. "One business customer recently asked me if I could build him a system where he could speak to the machine instead of typing, and get English answers to his questions in Japanese!"

Kanji: characters provide opportunities for software designers

Self-diagnostic computers make repairs easy

BANKERS, BROKERS and manufacturers who may never have changed a light bulb now have the opportunity to repair their own £400,000 computer—if they bought it from Stratus, a leading supplier of fault-tolerant computing systems.

Yesterday Stratus, which has about 800 customers world wide, opened its European support centre in Hounslow, west London. It houses a high performance Stratus computer which is the nerve centre of the company's remote service network.

Stratus computers are built with their own fault-finding diagnostics. If a component fails—a processor board, say, or part of the semiconductor memory—the computer carries on working normally because all components are duplicated. The computer, however, automatically dials the Hounslow support centre and tells the computer there what has gone wrong.

A new component is sent to the installation either by mail or messenger. The arrival of the new part may be the customer's first indication that anything is amiss. It is then a simple matter for the customer to pull out the failed board and replace it.

Mr David Taylor, managing director of Stratus in the UK, says: "Anybody can do it. In fact, we know when coffee breaks take place in some installations.

"People pull boards out to show their colleagues how simple it is and the computer here is deluged with telephone calls. Now, we have built a few minutes delay into the software to give them time to replace them."

The Stratus remote service network, which has been running in the US since 1982, is one of the most advanced of its kind. The company itself seems now to have overcome its initial inertia and is growing rapidly with third quarter revenues of $21.1m (£14.6m) up 90 per cent from the same period a year ago. In Europe it established a UK subsidiary last year and is forming a company in the Netherlands and another in West Germany.

It is rapidly becoming a significant player in a market dominated by one company, Tandem, but which everybody agrees is key to the future development of corporate computing systems.

David Taylor: "Anyone can repair the computer"

Fault-tolerant computers are designed never to fail outright but to continue working in all conditions but complete power failure. Then they "degrade gracefully" recording all their data safely ready to pick up at restart at the point they left off.

Stratus computers are marketed by IBM and Olivetti under their own brand names.

Yesterday Mr William Foster, president of Stratus, announced in London that the company intended to support international rules governing the way computers can be connected to exchange and share data and programs.

Mr Foster said it intended to support all the component parts of a theoretical reference model for open systems interconnection being developed by the International Standards Organisation.

The principal marketing areas for fault-tolerant computers of the kind made by Tandem and by Stratus has been finance and banking where a computer "off the air" for even a few minutes can mean substantial loss of profits.

Both companies are mounting considerable campaigns to persuade London's financial community that it will need financial software running on fault-tolerant hardware to guarantee operations after the City's "Big Bang" next October.

ALAN CANE

Silicon cell efficiency claim

SOVONICS Solar Systems of Las Vegas claims to have achieved a record conversion efficiency of 12.7 per cent in the laboratory for its amorphous silicon cells.

Conversion efficiency defines the proportion of sunlight energy falling on the cell that is converted into electrical energy. It is important since it determines the amount of electrical power a system can produce for a given area of solar array.

High stability is claimed for the three layer construction. The company says the cell will retain more than 90 per cent of its efficiency over 20 years.

Sovonics, a partnership of Standard Oil Company and Energy Conversion Devices, currently makes cells with efficiencies of about 8 per cent. The cell material is made in foot-wide, 1,000 ft long strips which are cut up to make rural and third world power supplies. More from the US on (313) 280 1900.

Ribbon security

ALTHOUGH MANY companies go to some trouble to dispose of sensitive documents by shredding them, rather fewer have realised that typewriter ribbons pose a similar threat if they are simply thrown into waste-paper baskets.

According to Eba Imago of Newbury, ribbon cassettes cannot be put through ordinary office shredders and it is not safe to burn them unless special precautions are taken.

So the company is offering a unit called Carbon 2000 which destroys whole ribbon cassettes in bulk beyond any possibility of recovering information. It will also shred video cassettes, floppy disks, files and similar office items that cannot be dealt with by ordinary paper shredders. More on 0635 63208.

FINANCIAL TIMES SURVEY

Wednesday November 6 1985

French Banking

Moving into fresh orbits

By DAVID MARSH

LIKE PLANETS coming under a new configuration of gravitational forces, French banks are slowly being forced to give up the old ways of the solar system and move to fresh orbits.

A unique constellation of factors — the continued fall of French inflation, world-wide financial deregulation and probable denationalisation moves from next year onwards — is confronting the banks with problems and challenges which will greatly tax their strength over the next 12 months.

Like other Continental countries, which have long practised universal banking but fallen well behind the pace of financial revolution in London and New York, France faces a probably painful period of adaptation in its banking and financial markets.

Accelerating disintegration abroad of the barriers between equity and debt markets, between long and short-term instruments, and between the different geographical marketplaces themselves has coincided with a different set of specific changes taking place within France.

The progressive fall in French inflation to around 5 per cent this year, the symbol of the French Socialists' return to the fold of international economic orthodoxy, has steadied the franc against the Deutsche Mark and greatly reduced the external economic constraint on the Government.

Prime Minister Laurent Fabius: new initiatives have surprised many bankers

However, the main French commercial banks—particularly the Big Three, nationalised in 1945—have relied on a combination of high inflation and interest-free deposits to build up large retail networks and overheads over the past two decades.

Cuts in interest rates caused by disinflation are exerting a new source of cost pressure. This threatens to bite into already-meagre profits just at the time when French banking regulators and the international markets are focusing ever greater attention on the need to boost capital ratios.

It also coincides with a period when the investment community is starting to scrutinise banks' balance sheets much more closely in the light of prospective moves to sell off the most profitable institutions to the private sector.

The squeeze on margins has not yet bit home fully. The banks have made use of the period of increasing real interest rates, during the past two years, to rebuild profitability after the earnings low-point of 1982. But as a result of the downward pressure on base rates, held at 10.85 per cent since July but plainly due to fall soon as a result of the steady drop in money market interest rates since the summer, some of the bigger banks are now starting to feel the profits pinch.

The threat of sanction from disinflation has spurred more effective action by the banks in cutting the growth in their previously burgeoning staff costs.

Top 10 French Banks (1984)

World ranking	French ranking (by assets)	Bank	Assets ($ bn)	Capital ($ bn)
7	1	BNP	98.99	1.5
9	2	Credit Agricole	92.43	3.83
10	3	Credit Lyonnais	90.50	1.03
11	4	Societe Generale	87.14	1.18
31	5	Cie Fin. de Paribas	56.30	2.04
77	6	CIC Group	27.91	388
83	7	Indosuez	25.92	569
99	8	Banques Poulaires	20.29	671
109	9	BFCE	18.51	133
117	10	Credit Comm. de France	16.76	313

Source: The Banker

The French Government is firmly set on breaking down barriers between the fragmented sectors of the nation's financial community. The banks meanwhile face challenges which will greatly tax their strength in the coming year.

One of the cluster of objectives avowed by Finance Ministry officials when the state banking sector was widened in 1982 was to prod the banks to control their budgets better. It is ironic that, 3½ years later, one of the few overriding nationalisation objectives which has actually been accomplished has resulted in holding down living standards among bank employees.

Moderation in banks' wage settlements—at a time when their overall costs are still being forced up well beyond the inflation rate by purchases of computers and electronic payments equipment—has not been the only illustration of the move to realism in the banking sector.

Mr Laurent Fabius, the present Prime Minister, in his apprenticeship days as Budget Minister in 1981 originally led an assault on the high level of bank provisions. The Government now admits without ideological hang-ups that high provisions—even though they reduce considerably dividends and other payments made to the state—not only constitute a necessary bulwark against increasing risks on banks' foreign lending, they also help compensate for the traditional lack of capital adequacy of French banks—itself partly a consequence of the state's inability to inject fresh capital into the Big Three over the past 40 years.

Finance Minister Pierre Beregovoy: everyone will benefit from deregulation

The need to boost the banks' capital backing towards accepted international standards is universally recognised. The Bank of France this summer tightened capital adequacy rules, requiring banks to move towards a target of 5 per cent for their capital ratios, defined as permanent capital resources compared with total credits.

Nationalised banks have returned to the stock market to raise permanent capital in the form of *titres participatifs* (TPs) (non-voting loan stocks) and, more recently, *certificats d'investissement* (CI) (non-voting preference shares).

Societe Generale, the bank which has been the most innovative in its financing, led the way with the first CI issue last year, only after wrangling with the Treasury over the possible consequences of bringing in private shareholders (albeit without voting rights) into its capital.

Other banks believe CIs represent a cheaper way of raising capital than TPs—provided, that is, the bank has an adequate profits outlook.

Societe Generale, which has also led the way in issuing permanent subordinated debt to bolster capital resources, has 16 per cent of its capital held by private shareholders as a result of CI warrants attached to its subordinated issue this spring.

The other main area, over which there is also a new-found consensus, concerns deregulation. Mr Pierre Beregovoy, the Finance Minister, and his advisers are firmly set on breaking down barriers between fragmented sectors of the French financial markets.

He is operating within the limits of an extremely regulated system. Exchange controls, despite relaxation in some relatively minor areas, have hardly been touched. But Mr Beregovoy has also initiated or supported other efforts to open up new markets in areas like options and futures trading. And his action coincides with signs of relative liberalism in other financial fields — for instance, the authorisation given to Citibank to buy the Sofieam banking group which has branches in Paris and the provinces.

Mr Beregovoy has been trying to convince the financial community that deregulation—even in modest French-style—is, in the words of one top official, "more than a zero sum game"; in other words, that everyone will benefit.

Given the strength of the lobby groups in Mr Beregovoy's path, this has been a difficult message to put across. Even more fundamentally, some seasoned bankers believe that Mr Beregovoy in his deregulatory zeal is not quite aware of the full impact that his measures, if carried to their logical limit, could have in toppling some entrenched pillars of the French banking and financial system.

● Bankers question whether the setting up of homogeneous fixed interest debt markets,

CONTINUED ON PAGE THREE

FRENCH BANKING 2

Opposition promises sweeping reforms

Changes in 1986

DAVID MARSH

WHEN THE Government nationalised 36 commercial banks, and the Suez and Paribas financial holding companies, in February 1982, it also replaced all the chairmen (as well as the head of the already state-owned Big Three). The new incumbents were not particularly amused to find themselves summoned to the Rue de Rivoli for regular communal talk-ins with Mr Jacques Delors, the then Finance Minister.

The Government is now letting out a few notches on the leash holding the nationalised banks. Quietly but symbolically, the Finance Ministry has decided, this year, to phase out the regular gatherings, increasingly regarded by bankers as a waste of time.

The nationalised banks have had to put up with a great deal less interference from ministries during the past two years over industrial intervention. This partly reflects the general ebbing of big corporate problem-cases throughout the economy, now limited, according to one senior banker, to Renault and the still-struggling shipyards.

One nationalised bank in a Government-engineering rescue package in 1983 was forced to enter the capital of a big privately-owned manufacturing company. It has since been able to profit from a rise in the company's stock market price to sell off quietly some of its shares on the bourse.

Indeed, the banks which were forced by the Government to inject capital into the newly-nationalised industrial groups in spring 1982 may now, as a result of a rise in most of the companies' fortunes (and in their prospective denationalisation divestment price) be sitting on sizeable unrealised investment profits.

A semi-consensus has grown up that the system of gentleman's agreements, which have governed relations between the Big Three banks and the state since they were taken into state ownership in 1945, is not the best model for running the rest of the commercial banking system.

The agreements laid down, effectively, that the banks would show compliance with state directives and a willingness to live without new injections of shareholders capital. In return, the state would be undemanding in its requirements for dividends, allowing banks to plough the majority of their profits first, into increasing and remunerating their staff and, over the past few years, into boosting their provisions on risky loans.

Inefficiencies

It is because of the obvious inefficiencies of this system that any new government which takes office after March 1986 is likely to return progressively to private ownership at least the more profitable banks brought into state ownership in 1982.

The Right, the most likely candidate to take power next year, has promised sweeping denationalisation, including eventually the Big Three banks.

The Paribas and Suez holding companies and their attached banks, as well as Credit Commercial de France, and smaller profitable banks like Societe Lyonnaise de Banque and Societe Marseillaise de Credit would be the most likely initial denationalisation candidates.

An opposition study group has put an overall capitalisation value on the Big Three state banks of about FFr 25bn, with Suez and Paribas likely to represent at least another FFr 15bn.

Denationalisation fever has already led to a purchase offer being made informally to banks like Indosuez from French and foreign industrial and financial groups. In the expectation that some shares will be sold abroad (although the Right would be expected to place a limit of perhaps 20 per cent).

Several merchant banks in London and New York are trying to prepare themselves to take part in the sell-off.

The Opposition almost certainly has under-estimated the difficulties of returning to full private ownership some of the big banks. They owe their top credit ratings abroad not to their relatively slender capital resources but to their backing by a sovereign state shareholder.

A senior director of a leading nationalised bank, himself in favour of denationalisation, points out that his institution has made considerable efforts to increase its capital resources in the last two years. Pointing out that half his balance sheet is in foreign currencies, he says however, he would prefer an intermediary period of three or four years to boost further capital backing, before exposing the bank as a privatised institution to the cold glare of the New York credit rating agencies.

The Opposition's fervour over denationalising the banks taken over in 1982 — which make up only about 13 per cent of total bank lending throughout the economy — almost certainly misses the main point over state control of the financial system.

It would be much more important, and certainly more difficult, to break up the monolithic state organisations of the Caisse des Depots, Post Office and Treasury banking networks which themselves account for more than 30 per cent of the overall banking system.

The most visible way for a new government to try to make an impact on the banks next year will be through changing the chairmen again.

At the Big Three banks, Mr Jean Deflassieux, the Socialist chairman of Credit Lyonnais, is a virtual certainty to be replaced if the Right comes to power. Paradoxically, having been a long-standing head of the bank's international network, he is the only chairman of the Credit Lyonnais in recent years to have arrived with a thorough knowledge of the bank.

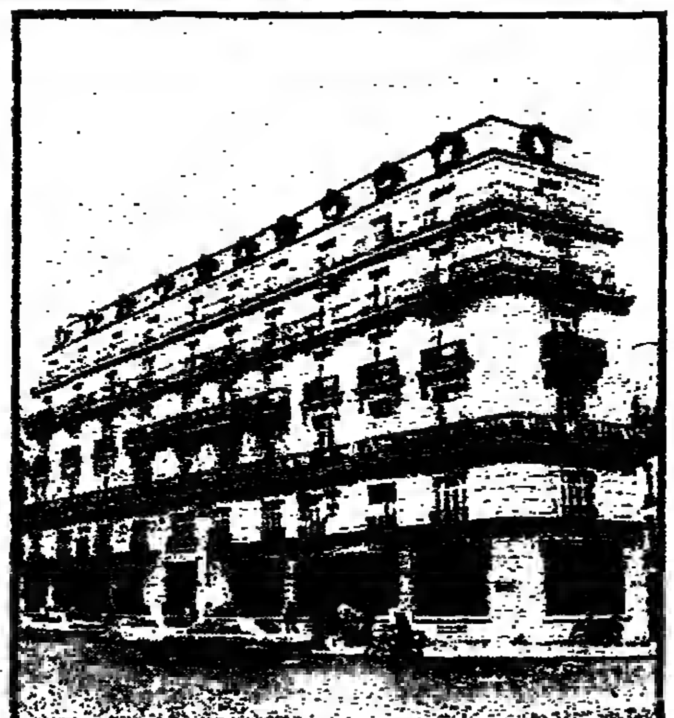
Enemies

Mr Rene Thomas of Banque Nationale de Paris may also be in danger, because of his Socialist leanings, even though he has presided over a continued building up of the bank's profits and capital funds. Mr Jacques Moyoux, at Societe Generale, whose waspishly anti-interventionist views are being increasingly aired in public as the elections approach, is a favourite to stay on even though he has himself made enemies on the Right.

Mr Jean-Yves Haberer, the self-confident former Treasury director now chairing Paribas, where profits have continued to rise smoothly since nationalisation, believes he will be allowed to stay on if he wants to after 1986. It is significant, however, that he has failed to develop a rapport with his key executives, inherited from the pre-nationalisation period. Mr Jean Peyrelevade, the chairman of Suez, would almost certainly be replaced by the Right because of his former position as chief aide to Mr Pierre Mauroy, the Socialists' first Prime Minister.

Mr Peyrelevade has proved himself prudent and a good manager. But the kudos associated with the chairmanships of both Suez and Paribas is sufficiently strong that pretenders to the thrones are already clustering around the right wing politicians likely to be France's banking kingmakers next year.

Jean-Yves Haberer, former Treasury director and now, chairman of Paribas (right), where profits have continued to rise smoothly since nationalisation. Meanwhile, the Government Opposition is planning wide denationalisation of banks if it wins power next year.



Men to watch: here, and on the following page, FT correspondents in Paris feature profiles of three high flyers on the financial scene.

Highly regarded economist

Michel Pebereau of CCF

PROFILE BY PAUL BETTS

MICHEL PEBEREAU is not as well known as his older brother Georges, the chairman of France's nationalised Compagnie General D'Electricite group.

No week goes by without Georges Pebereau's name being mentioned in the French business Press, for the CGE chairman is endlessly cooking up some major industrial or business deal. His latest involves an agreement with American Telephone and Telegraph to give the U.S. giant 15 per cent of the French public telephone switching market in return for helping CGE to penetrate the U.S. market.

Far more discreetly and out of the spotlight, Michel Pebereau has been the principal architect in the recent development and growth of Credit Commercial de France (CCF), France's fourth largest commercial bank and the biggest bank to be taken into state ownership by the Socialists in 1982.

As managing director of CCF, Pebereau, who is only 43 years old, has played a major role in pushing the bank into new electronic banking technologies — it is now a leader in this field in France—in developing the group's corporate and Eurobond business, and increasing its international presence.

Indeed, CCF took control this summer of the London stockbroking firm Laurence Prust in what represented the first major foray by a large French bank in the newly deregulated UK financial markets.

Michel Pebereau: principal architect in the growth of CCF.

Michel Pebereau became a banker by accident. If the left had not won the elections in 1981, he would have become the next head of the French Treasury. He had already turned down an offer from former President Giscard d'Estaing to join him as an aide at the Elysee to pursue his career up the French Treasury ladder.

Pebereau was the "directeur de cabinet" of Rene Monory, the former economy minister, between 1978-80, and then headed financial and monetary affairs at the Treasury. "If the left had not won, he would have been the directeur du Tresor. There is no question about it," says a close friend of the CCF managing director.

The young CCF banker has the pedigree of French success, having studied at the Ecole Polytechnique and the elitist Ecole Nationale d'Administration, a stable for all leading civil servants in France.

His reputation as an economist is also widely established. He lectures at "Sciences-Po"—or the Institut d'etudes politiques de Paris as it is formally known—with a highly regarded course on the instruments of economic policy. Indeed, some students say that his course at "Sciences-Po" is now more popular than the economic course of M Raymond Barre, the former prime minister and one of the leading opposition candidates for the 1988 French presidential election.

Pebereau is about to publish his "Sciences-Po" course in a book and is working on another book on inflation.

At CCF he has also maintained continuity by staying at the bank after the Socialist government decided to replace M Daniel Deguen, the bank's chairman, with M Claude Jouven. The Government's decision not to renew M Deguen's mandate as chairman last year considerably upset the bank's managers and their morale.

Pebereau could have left the bank at the time but preferred to stay on. M Jacques Calvet, the chairman of the private Peugeot group, asked Pebereau to join him, especially to help with the recovery efforts at Peugeot's large Citroen division.

When M Calvet was chairman of Banque Nationale de Paris, France's largest commercial bank, before the left came to power, he had also asked Pebereau to come to work for him at BNP. At the time, Pebereau had his sights fixed on the top Treasury job. It would now be not at all surprising to see Pebereau being offered the chairman's job at BNP or of one of the other "big three" banks (BNP, Societe Generale, Credit Lyonnais) if the opposition, as is widely expected, wins the majority in next year's general elections.

A man with dynamic ideas

Jean-Pierre Huchon of Credit Agricole

PROFILE BY DAVID MARSH

CREDIT Africole, the farmers' co-operative bank, has more than double the capital of the Banque Natioоale de Paris. It manages the largest volume of unit trusts and mutual funds of any French institution.

Next year, it will be leading the way in distributiog memory-containing "smart" cards around the country for uses like cashless shopping and giving access to videotex services. Yet there is still some doubt whether it is really a bank.

The aim of Mr Jean-Pierre Huchon, the chief executive and managing director since January of the group's central organisation, the Caisse Nationale de Credit Agricole, is to dispel those doubts.

Mr Huchon, formerly the chief aide of Mr Michel Rocard, Minister of Agriculture in the Socialist Government before he resigned in April, is only 39. He also will be regarded by many on the right as a political appointment, and therefore may face the danger of eviction if the Opposition wins power after next year's elections.

On the other hand, he has been looking after agricultural affairs during a long period of his civil service career, under both right and left wing governments. And his ideas on injecting new dynamism into the structure and operations of the "Green Giant" are not likely to be basically at odds with those of any new government after March 1986.

Impressive

Credit Agricole has been able to build up its impressive resources—it has a capital ratio of 7.5 per cent, mouth-wateringly good by French banking standards—as a result of privileges awarded by the Government to back its special function of distributing subsidised loans to the farming community.

However, as Mr Huchon is at pains to point out, since 1978, the bank's fiscal and other privileges have gradually been stripped away.

It is also competing ever more closely with commercial banks, moving into towns from rural areas in a way which has sent alarm bells ringing among some members of the established banking community. The bank's FFr 2.5bn issue of titres participatifs (non-voting loan stock) launched on the stock market in October—making use of a change in the law in July allowing co-operative groups to make such issues—underlines, Mr Huchon says, its need to go to the market place to raise funds just like any other bank.

Credit Agricole's clientele has traditionally been rural-based and of modest means. Mr Huchon's aim is to continue the bank's gradual drive upmarket by expanding its share of consumer credit, where it has only 6 to 7 per cent of the banking market at present, much less than its potential.

In its main-line agriculture business, he says, the emphasis will in future be in providing increased quality in services to the farming community, rather than simply increasing loans. Its expertise in financing agri-food trade and business ventures also, he believes, gives the bank a solid way of building up progressively its international activities, now making up about 15 per cent of the balance sheet.

Credit Agricole should also capitalise further, he says, on its decentralised structure by expanding further its regional support for high performance small businesses.

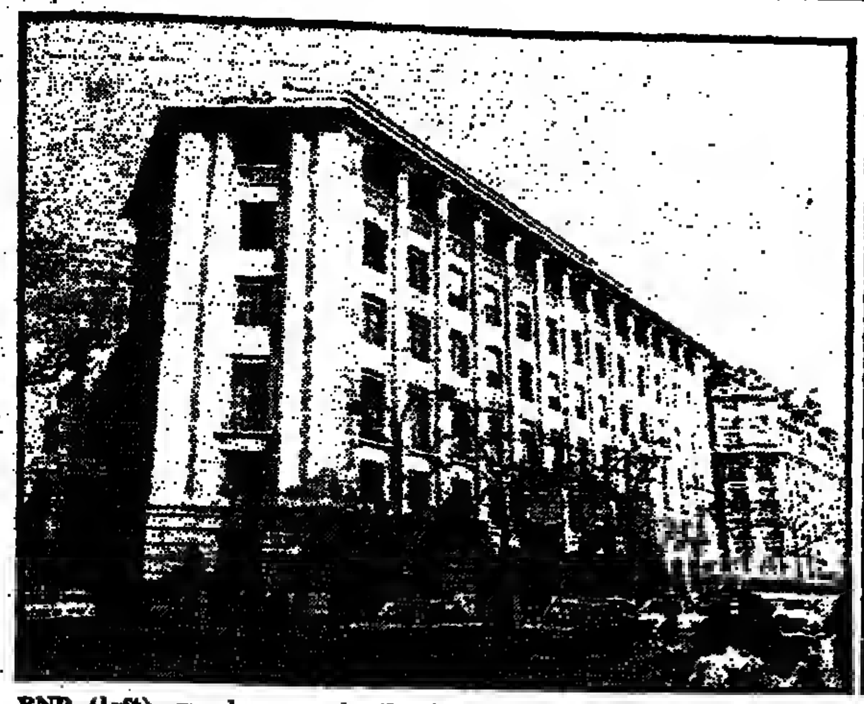
Mr Huchon this summer put into effect a management shake-up at the bank, which is formally under the control of the Finance and Agriculture Ministries. He has brought in several previous top advisers from Socialist ministerial teams.

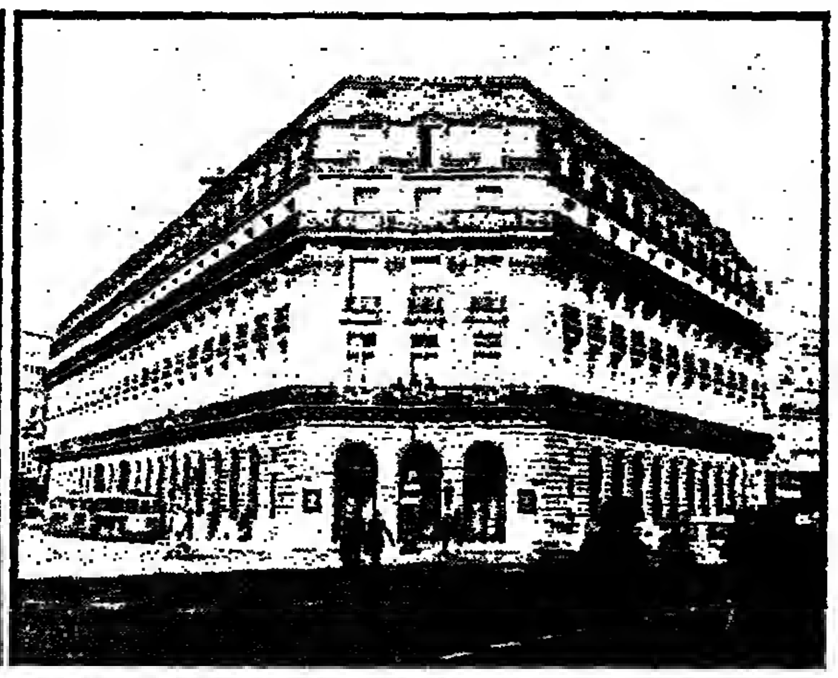
"I wanted to give the bank fresh drive—it's necessary that people should move," he says—adding that most directors who were moved around within the bank favoured the change.

Since 1974, Credit Agricole had previously had only two new recruits to its directorate team, and was plainly in need of new blood. The hope is that not too much of this will be spilt in 1986.

Jean-Pierre Huchon: "I want to give the bank fresh drive," he says

FRENCH BANKING 3





BNP (left), number one in the top ten French banks by assets; and (right), Societe Generale, the bank which has been the most innovative with its financing, leading the way last year with the first issue of non-voting preference shares

Deregulation takes hold

Opening up the markets

DAVID MARSH

THE French Finance Ministry is pressing ahead with a series of initiatives, to open up and deregulate part of the financial markets, with a speed and ardour which have surprised many bankers.

Taking over the mantle in July last year from Mr Jacques Delors, the man credited with steering the Socialist Government back to the path of economic righteousness, Mr Pierre Beregovoy, the Finance Minister, has left in no doubt that he would like to go down in history as a financial reformer.

Modernising and increasing the efficiency of the remarkably over-regulated French financial system adds up to a gargantuan task—but one which must be attempted for a series of interlocking reasons.

Lowering the cost of financial intermediation has become a vital necessity to accompany the success in fighting inflation and improve prospects for business creation, is now one of the Socialists' economic policy priorities.

The Government, now borrowing between FFr 90 and FFr 100bn a year on the domestic capital markets to finance the budget deficit (it had virtually no capital market exposure at the end of the 1970s), has a keen direct interest in boosting market efficiency to lower debt service costs.

Competition with Anglo-American market-makers trying to capitalise on world wide deregulation has added to the need to upgrade the financial capability in Paris.

Mr Daniel Lebegue, the director of the French Treasury, has recently spoken of Paris facing a "problem of survival" as a financial centre. Mr Xavier Dupont, chairman of the French Stockbrokers Association, admits that competition from the City of London is the number one factor spurring modernisation of the bourse.

Finally, the Socialists have been keen to use a period of macroeconomic calm in France to drive home microeconomic reform and score points off the Opposition in the run up to next March's general elections.

The previous period of right-wing government in France, at least up until 1978, coincided with stagnation of the French financial markets. Despite the Opposition's present strong commitment to economic liberalism, some foreign bankers in France have private worries that a right-wing government next year might actually prove to be less active in pushing financial deregulation in certain key areas than has Mr Beregovoy.

The Finance Minister's reforming crusade has to be viewed against the backcloth of continuing highly developed controls over foreign exchange movements and credit, which have been eased only marginally by the Socialists over the last 12 months. Additionally, 50 per cent of loans throughout the economy are still at subsidised interest rates. Mr Beregovoy is making an effort (both for reasons of market efficiency and, most fundamentally, to save budgetary cash) to cut the state's intervention in this latter area — but the job will also be a long and difficult one.

Competition

Mr Jean Dromer, the pugnacious head of the French Banks' Association, hails the Ministry's deregulatory zeal as "positive in spirit." But he points out that in some areas there is a danger of partial deregulation simply opening up more pockets of unfair competition.

One example is the recent controversy over plans for the Post Office savings network to link up with the Sofinco credit bank in making consumer loans to individuals—one of the few areas of banks' loan business which is currently expanding.

Mr Dromer, arguing that the Post Office bank enjoys manifold advantages which the commercial banks do not (such as free postage — an important factor considering Credit Lyonnais' postage bill last year came to only slightly less than its net profits) seems to have succeeded in having the move blocked.

Many bankers are inclined to disparage some of M Beregovoy's initiatives. The Finance Minister's over-eager announcement last December of the opening of a certificate of deposit market in Paris led to a wave of selling on the bond market, requiring nationalised banks to organise a FFr 8bn rescue package (which ironically, like most such intervention exercises, turned out to be highly profitable for the institutions concerned).

The sell-off was prompted by fears that opening of new short term placement possibilities for investment institutions and corporate treasurers could drain tens of billions of francs from the bond market. Realisation that the bond market—where new issue volume will soar to a new record of more than FFr 250bn this year—is dangerously reliant on short-term funds has since made the Finance Ministry much more cautious in formulating any measures which might cause these sums to roam to new homes.

The more measured approach has been reflected in the Ministry's latest idea, to set up a commercial paper market under which company treasurers can borrow directly from institutional funds. Ministry officials have announced that the market will probably total no more than FFr 10bn next year. Exactly how a theoretically liberalised sector is to be subject to regulation to achieve this ceiling is, however, still not clear.

The desire to start up commercial paper slowly has mollified fears of withdrawals of liquidity from the bond market and has also calmed worries among bankers that they could lose profitable credit business with top class companies.

The commercial paper saga nevertheless underlines the almost inevitable inconsistences in the Government's approach over deregulation. Bankers openly mock the Ministry's assumption that an independent credit rating agency to vet companies raising funds can be set up by the early next year.

They point out that too few French companies present adequate accounts to allow full credit rating analysis. And they underline that Standard and Poors and Moody's in New York took years rather than weeks to build up their expertise.

Money supply

Bankers also believe that to allow companies to short-circuit banking channels for their funding, without the same costs and restrictions as those imposed on the banks, would contradict efforts to control the money supply through tight quantitative credit controls.

They also accuse Mr Beregovoy of over audacity in choosing to build up a market which internationally has been developed only in the U.S.—for specific reasons not found in in France.

"Commercial paper is not an indispensable accessory for deregulation," says icily a top executive in one of the big nationalised banks. Other bankers, however, point out that the commercial paper market has just started in Japan—and there is no reason why France should not eventually follow suit.

In spite of criticism over specific proposals, there is no doubt about the invigorating effect of the change in the financial air.

"It is the most important transformation for 30 or 40 years," says Mr Bruno Roger, one of the partners at Lazards in Paris.

Another senior banker, although confessing his fears that the deregulatory trend could be blocked or reversed next year by any upset on the bond market, says a opening up of the financial system" may go down as an historical landmark comparable, in terms of development of the capital market, to Louis XIV's revocation of the Edict of Nantes 300 years ago.

Breaking up this spring in a mini "Big Bang" of the previous cartel restricting lead-management of bond issues for the Government and state institutions to the Big Three Banks and Paribas has been of particular benefit to Banque Indosuez, Credit Commercial de France and Credit Agricole. The Ministry is also progressively lifting controls on the calendar for smaller issues.

The banks complain as a group however that a state-imposed liberalisation of primary market bond commission rates, brought in last winter, has simply lowered placement commissions to 1.3 per cent from 1.75 per cent and so saved money for the state.

Foreign banks in Paris which have been building up their capital market capacity also feel they are not, by far, allowed to compete on an equal footing with the indigenous banks, when Citibank in Paris is allowed to manage a French state bond issue, then Gallic-style deregulation will really have come of age.

Moving into new orbits

CONTINUED FROM PAGE ONE

allowing banks and investors to participate freely across a full spectrum of maturities, is compatible with the present rigid system of controlling credit growth through quantitative ceilings. The old *encadrement* system was phased out at the end of last year. But the new credit control mechanism, although more flexible in some respects (for instance through giving banks more freedom to grant credits if they raise their capital) adds up to a system which generally is as strict if not stricter than the old one.

Bankers believe the Bank of France has little alternative in the longer term, if the authorities are really serious about liberalisation, to moving to an Anglo Saxon style open market policy — using the greater variety of Government debt instruments now available — to control money and credit growth. This would, however, entail much more volatile short-term interest rates than France has been used to.

Bankers also point out the inconsistency of trying to lower barriers between different financial sectors — for instance, the mainstream bond market and short-term Treasury bonds, when their tax treatment at present differs widely.

Consultation

● Mr Beregovoy's initiative in suggesting a commercial paper market for Paris — which has been the object of widespread consultation over the last few weeks — could also end up destroying another sacred cow. Allowing companies to short-circuit the banking system to raise funds through U.S.-style paper would only risk diverting large volumes of short-term funds currently held by corporate treasurers on the bond market.

Additionally, a fully fledged commercial paper market, by depriving banks of part of their credit business with top class corporate borrowers, could well force banks to try to seek higher margins on loans to smaller companies and personal borrowers. This presumably is not the object of Ministerial policy.

Even more strikingly, it could revive the long simmering debate in France over restrictions on banks' ability to charge personal customers for services, especially cheques, which are processed free, but which cost about twice the commercial banks' combined net profits last year.

The lopsided earnings structure of French banks, a source of strength in past periods of credit expansion, is now their Achilles heel.

The French banks make an average of 90 per cent of their gross profits from margins on credit business, against only 10 per cent on commissions—the breakdown among foreign banks is more like two thirds to one third.

The advent of electronic banking, where banks will be adopting more realistic pricing in charging customers for using "smart" memory cards in coming years, is already starting to change this situation.

Commercial paper and the general squeeze on margins with top class borrowers will accentuate this trend.

● The third potential time bomb behind Mr Beregovoy's deregulation approach concerns the basic question of the structure of French banking.

Breaking down barriers between different sections of the markets, as well as Mr Beregovoy's general attack on subsidised credits — which still make up 50 per cent of total lending throughout the economy — poses a real question over the role of certain specialised banks in coming years.

State financing banks like Credit National, Credit Foncier and Banque Francaise du Commerce Exterieur will certainly have to adapt or risk redundancy if the move continues.

Complexities

This adds to the problem of the future of the half a dozen loss-ridden banks, nationalised by the Socialists by error in 1982. As most people, except their past and present chairmen admit, these banks should have been left to be completely merged with other institutions or disappear altogether.

The ensemble of problems and challenges is enormous. Compared with present pragmatic Beregovoy policy of pushing the boat out and hoping for the best, the "liberal" solutions put forward by the present Opposition are unlikely to be any more suited to breaking through the Gordian knots.

Head of policy-making team

Jean-Charles Naouri

DAVID HOUSEGO

IN BRITAIN it would be difficult to imagine an administration in which the Prime Minister was in his late thirties and the permanent head of the Treasury in his early forties. But the French system allows high flyers to fly much more quickly than in Britain. Thus, M Jean-Charles Naouri finds himself at the age of 35 in the key post of Directeur du Cabinet of M Pierre Beregovoy, the Minister of Finance and Economy.

The post is a key one because the Directeur du Cabinet is the head of the minister's policy-making staff. In M Beregovoy's case the post is all the more influential because M Beregovoy—unlike most of his predecessors—had little previous experience of economic management before taking up his present post in 1984.

He also suffered from the disadvantage for a minister who wanted to leave his mark, that the main lines of macro-economic policy had already been etched out by M Jacques Delors and that there was little leeway to break free from them without undermining the Government's anti-inflation objectives.

Mr Naouri's strength has been to make the most of the limited room for manoeuvre that existed. A shy, retiring official without pronounced political opinions, he is suspicious of fine sounding declarations and of launching major reforms. His natural instinct is to chisel away at the corners in the belief that a succession of small changes can nonetheless yield major improvements.

It is in this spirit that he has approached the difficult exercise of cutting budget expenditure. There have been no savage reductions but a battening down of the hatches in every corner of the administration.

M Naouri, like his Minister, is fond of recalling that when they ran together the Ministry of Social Security before moving to Finance, they pushed the nation's Social Security fund into surplus by a more scrupulous attention to the details of health spending and by more shrewdly investing the fund's cash balances to obtain a higher yield.

The other area where M Naouri has enabled his Minister to make his mark has been in the deregulation of the financial markets. Change was inevitable if Paris was not to be left behind the other financial centres. But in opening the Pandora's box of the French financial markets, M Naouri was both conscious of the productivity gains to be had by simplifying France's complicated financial structure and of how politically to exploit the issue.

M Naouri initially ran into strong resistance from the banks over the introduction of Certificates of Deposit — and has met it again this year with the bringing in of a new market for commercial paper. He claims that the banks were tenacious of their established privileges and failed to see that they would emerge at least no worse and possibly better off from the reforms.

He says that before the Government took the first step it already had a clear plan of the reforms it wanted to achieve. Bankers generally doubt this, believing that the Government has stumbled across obstacles which it never suspected.

M Naouri first joined M Beregovoy as his Directeur du Cabinet at the Ministry of Social Security after a brilliant academic career. He took the first part of his "bac" at the young age of 15, entered the Ecole Normale Superieure with the best marks of anybody in a generation and left with a doctorate in mathematics in 1970. After that he spent three years at Harvard, studying economics.

Jean-Charles Naouri: a key post at 35 as Director du Cabinet under Pierre Beregovoy

Pressure mounts to modernise system

The Paris Bourse

DAVID MARSH

AFTER AN unexpected and unprecedented boom during the past three years, the Paris bourse is bracing itself for a period of challenges which could transform the French financial landscape.

The wave of deregulatory fever affecting London and New York, threatening Paris and other Continental bourses with possible migration of business to better equipped, lower-cost financial centres, is producing its own ripples in Paris. This has been the principal—but not the only—source of pressure on Paris to modernise its stock market.

The other main factor has been the increasing impatience of the French banks with a system which leaves all the main bourse dealing cards in the hands of the protected stockbroking community.

With French banks moving increasingly into securities operations to compensate for ebbing profitability in traditional commercial banking, and a cluster of hungry and well-capitalised foreign securties companies planning inroads into the Paris market, French stockbrokers know they are under ettack from several sides at once.

The Finance Ministry et preseot has no intention of tampering with the monopoly which dates from 1807, granting stockbrokers the exclusive right to carry out Paris securities trading. The surge in volumes over the past three years—bond trading has risen more than six-fold since 1981, equities dealing has nearly doubled—has led to a big increase in brokers' profits. The receipts have been ploughed into a mixture of new investment in information technology, improving the brokers' slender capital backing end enriching partners and their staff.

Commissions

However, there are signs that the stockbrokers will in the future be facing tougher times. The Socialist Government, which for some time had been casting e jeundiced eye on big increases in the stockbrokers' indexed income (the actual commission rates are in fact low compared with other world stock markets), this summer took action to cut commissions paid to the brokers by banks in bond market deals.

Tha measure, which came into effect in July, has probably reduced stockbrokers' income from negotiated securities' deals by 20 to 25 per cent. Such trading is the source of ebout 70 per cent of most brokers' overall incomes.

Banks and brokers will also be competing on an equal footing in the futures market for bonds and short-term financial instruments when trading becomes fully operational in September next year. The starting date for the initial phase of the market, originelly set for September this year, has been postponed for several months because of delays in setting-up a computerised dealing system. But the market is expected to get under way by the beginning of the New Year.

New rules enlarging possibilities for stock merket participants to act as principals and carry out jobbing functions, announced in October by the Stockbrokers Association and the Asociation of French Banks, amount to another step intensifying competition between the two professionals.

Most banks, including the Paribas and Suez investment banks as well as several foreign institutions like Citibank, are interested in playing a role in jobbing, where opportunities for taking positions in shares and bonds will become much more important than previously.

But banks are generally unenthusiastic about the idea of setting up joint dealing companies with stockbrokers. Plainly brokers — which need access to banks' capital to play an active role in market-making — have more to gain than the banks from such associations.

Bankers believe that forging ellliances with particular brokers would constrain their present ability to choose the best services from the roughly 40 members of the stockbroking community. Other bankers are afraid that the new jobbing trading rules could leave them exposed to aborbing large blocks of shares unloaded by dealers trading on the basis of insider information — an indication that the Paris bourse could still do a lot to ensure that information travels at the same speed for all participants.

A general view is that the jobbing rules represent only an interim solution to the problem of reinforcing market liquidity and shaking up competition. In the long run, modification of the stockbrokers' privileged status — which could involve steps, like in London to open up the brokers' capital to both banks and non-banks — would seem to be inevitable.

The man in the middle of the bourse cross-currents is Mr Xavier Dupont, chairman of the French Stockbrokers' Association.

As evidence of the market's willingness to face up to its challenges, he cites not only co-operation with banks over futures trading and jobbing, but also the plan to move to continuous computerised trading (probably from about 10 o'clock to 4 o'clock) next year in a selection of the most active stocks.

Trial runs are already being made using the computers of the Toronto Stock Exchange. Mr Dupont is aware that, once continuous trading is introduced, replacing the present somewhat primitive fixing system, competition from foreign market-makers in key stocks might increase rather than diminish.

Trading times

But he says with a smile: "To do nothing would be an even greater risk." The bourse also plans a morning trading sesssion sometime next year to supplement the present two-hour midday trading spell.

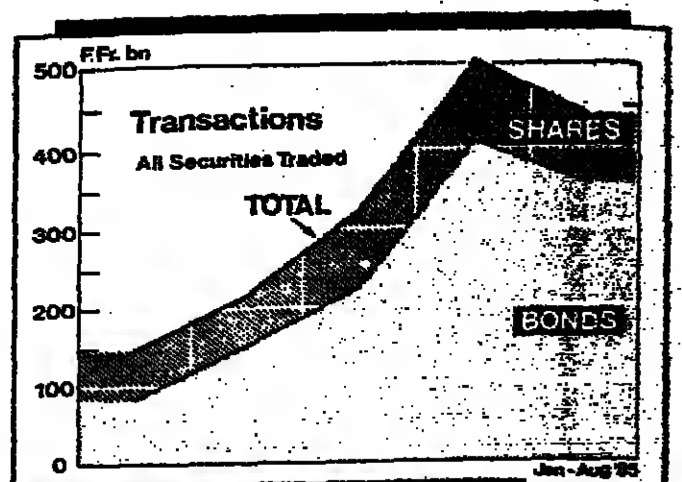
After rises in the stock market index of 56 per cent in 1983, and 16.5 per cent last yeer, the bourse has risen about 16 per cent this year, in spite of some undsteadiness since the summer. Mr Dupont classifies the downturn in prices over the last few months as a "natural correction." One important reason seems to have been that foreign institutions, which have been in the forefront of the price surge since March 1983, have since June been less enthusiastic in their assessment of the outloock of the Paris exchange.

Uncertainties ahead of the general elections next Merch have driven a number of companies, this autumn, to advance rights issues end other capital raising operetions. This has led to e heavy issue calendar since the beginning of September. There has also been some indigestion in the last few weeks on the *second marché*, which now boasts more than 100 stocks (including ebout 20 transferred from a previous unlisted section of the stock market when the *second marché* was opened in February 1983).

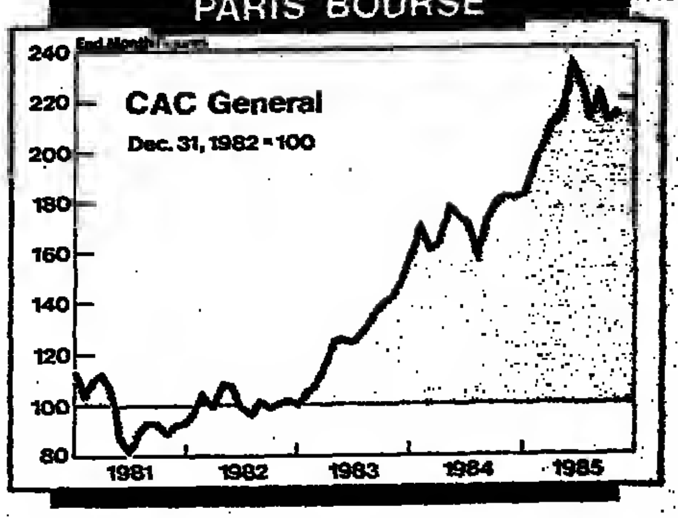
Mr Dupont believes the swing in the Socialists' economic policies since March 1983 and the switch in French investors' attitudes awey from the traditional refuges of property and gold, leave the market in a "healthy" position.

As for the possibility of denationalisations from next year onwards, he says France will have to come up with investment incentives to back specific issues along the lines of the innovations used to sell British Telecom in the UK.

He adds, the re-sale of French state enterprises is "an opportunity rather than a worry" for the Paris bourse.



PARIS BOURSE



Big move towards cashless banking

At a food store in Limoges, a cashier inserts a cash card into the magnetic strip reader of an NCR electronic payment system. The amount is charged to the customer's account with Credit Agricole, the farmers' co-operative banking institution. This bank is in the vanguard of efforts to help retailers install smart card terminals

Electronic applications

DAVID MARSH

FRANCE OVER the past 12 months has taken great strides towards setting up a nationwide electronic payment system which could give the country a world lead in cashless banking technology.

Considerable questions still have to be answered over the financing of an estimated FFr 1bn investment in electronic payments hardware in the next four or five years. But there is no doubt about the wholesale commitment of the Government and the banks to setting up a system based on the "smart" micro-chip card invented by a Frenchman in 1974.

The banks succeeded in overcoming traditional feuding and rivalries in July 1984 by agreeing to set up a standardised credit card system linking the commercial banks, the Post Office and savings network and the big Credit Agricole farmers' co-operative institution.

A further important step was taken in September with the signing of an initial order from the inter-bank Carte Bancaire grouping for 12.4m CP-8 smart cards with the nationalised computer group Bull.

Starting with a project to issue 3m smart cards to customers in four regions of France by the end of last year, the cards should be distributed completely around France by 1989. The total investment of FFr 1bn represents the cost of 18m cards at FFr 36 each as well as 200,000 "authenticators" to be installed in shops to "read" the personal code contained in the card to verify customers' transactions, as well as other items of equipment.

Banks will also pay for adaptation of existing terminals fitted in stores but new machines, which can cost FFr 12,500 each to produce and install, are presumed to be acquired at the cost of the retailing profession.

The smart card, a rectangle of plastic containing an in-built micro-processor and memory, can be used not only to carry out financial transactions. Its other purposes range from making phone calls to carrying health records and controlling access to computer systems and buildings.

The economic significance of the French banks' programme spreads well beyond the country's borders.

Standards

France has been heartened by news in October that the International Standard Organisation has agreed to adopt the CP-8 norm as an international standard. Bull, which uses technology developed by the French inventor Mr Roland Moreno, has up to now been keenly aware of the competition to impose a rival U.S. or Japanese standard.

Mastercard, the U.S.-based international credit card group, during the summer has been carrying out comparative tests using cards produced both by Bull and Casio of Japan, while Visa and American Express are also testing the French technology. French success in building up a strong domestic base for the smart card could thus provide an important springboard for selling the technology abroad above all in the U.S.

Mr Moreno has also been in contact with a number of Japanese electronics groups which could lead to the licensing of French smart card technology in Japan.

Successful introduction of the micro chip card in France will, however, depend crucially on agreement with the retail trade on installing cashless shopping terminals throughout the country. The 1984 link-up between the banks and a subsequent agreement on aligning credit card tariffs was denounced by retailers as leading to a bankers' cartel.

Deadlock over the tariff structure, which at one point threatened to hold up installation of terminals in shops and stores, has been broken with an agreement at the end of September under which tariffs paid by retailers on credit card transactions will be worked out on the basis of case by case negotiations.

But some bankers have been voicing doubts that competitive pressure, forcing down commissions, could greatly lower the eventual profitability of the electronic payment system — seen above all as cutting the huge processing costs French banks face through the writing out each year of between 4bn and 5bn cheques.

The September accord opened the way for banks in some regions—notably the Strasbourg area—to start setting basic commissions for credit card transactions at around 0.4 per cent of the amount involved, compared with tariffs in the past of around 1.5 to 2 per cent.

A free for all tariff war, if it eventually breaks out, seems likely to be led by Credit Agricole. With 7.5m traditional credit cards in circulation (to be exchanged completely for smart cards over two or three years starting from next spring), the farmers' co-operative bank has about as many credit card customers as all the other banks (mainly grouped in the Carte Bleue organisation) put together.

Initiatives

Credit Agricole is in the vanguard of efforts to find financing initiatives to help retailers install smart card terminals. It has been lobbying for backing of low-interest rate government loans from the Industrial Modernisation Fund. Out of a FFr 300m loan which could be put towards financing acquisition of terminals, the bank believes its share would be 20 to 30 per cent.

Underlining the rate at which France is wiring itself up for electronic banking, the French Banks Association estimates that 42,000 point of sale terminals were installed or ordered as of mid-1985. Of these, 25,000 were linked to the Carte Bleue organisation and 17,000 to the mutual and co-operative networks (Carte Verte).

Extension of the network of terminals over the past 12 months has been held up both by arguments over tariffs and by shortages of hardware. The aim is to increase the number to between 70,000 and 100,000 by the end of the decade.

This compares with 27,500 machines at end 1984 and only 8,000 at end 1983.

Installations of automatic banknote dispensers and telling machines, by contrast, has been tapering off with an estimated 5,700 units in place as of mid-1985, against 7,200 at end 1984 and 5,000 at end 1983. Self-service banking machines are now installed at a ratio of one to every 6,500 inhabitants, a greater penetration than in the rest of Europe and one which bankers regard as approaching a maximum.

Self-service banking terminals installed in the home, by contrast, are clearly just taking off. The move is being spearheaded by progressive installation around the country of the Minitel terminals, financed by the Direction Generale des Telecommunications as part of France's drive to popularise videotex services.

More than 800,000 Minitels have been installed, with over 100,000 used for financial services. Roughly 30 banks offer Minitel-based services under which customers can interrogate their accounts, make transfers, and check the value of investment portfolios.

More sophisticated services are being developed above all for company treasurers, who make up about 12 to 15 per cent of Minitel users. But even assuming a tenfold increase in the number of financial service users over the next two years, home banking customers will still total only around 1.5m at end 1987, underlining that this market will remain a rapid growth sector for many years to come.

Television/Christopher Dunkley

Diary of a critic's arduous week

For the critic the trouble with television is that it never lets up. What is more, there is an increasing number of matters to occupy his attention off screen. My week begins with the writing of this column on a Monday. After completing last week's column I began keeping a diary:

MONDAY

At the ICA in London the Arts Council shows the winners in its first-ever "New Film and Video Artists' Prizes" scheme: e mixture of the pretentious and the professional. Unfortunately the very idea is undermined by the decision that the judging can only be done by a recently graduated student. If these films and videos are incapable of communicating to anyone over 21 what on earth is the value of them?

How odd that in one evening ITV should show one of the best programmes of the year promptly followed by one of the worst. Granada's World In Action special on the six men imprisoned for the Birmingham pub bombing is an outstanding example of what can be done with investigative journalism on television. On the basis of work carried out by Charles Tremayne, Chris Mullin and Eamon O'Connor, Producer Ian McBride builds up a devastating case for—at the very least—a retrial. Almost certainly the wrong men are in gaol (even the IRA says they did not do it and the IRA does not make a habit of disclaiming their convicted bombers) and being kept there, it seems, because the authorities need someone to take the blame.

Television is a desperately unwieldy tool for this sort of work: point a quartz-iodine sun-gun, a camera and a gun-mike at most people, even the innocent, and they dodge round the nearest corner. Yet by using every technique from dramatised reconstruction to clandestine sound recordings in gaol, World In Action produces an immensely impressive document. It is appalling that Fleet Street has virtually abandoned this sort of investigation just when it is beginning that television has taken it up. Encouraging, too, to find that ITV can put this sort of toothy material on screen when the BBC comes so unstuck with Real Lives.

Hollywood Wives which follows is the most meretricious and vulgar programme for a long time, apparently made by people who believe a bright pink Rolls-Royce is the epitome of sophistication, for viewers who agree with them. The less said the better.

TUESDAY

Review copies of three books arrive. The first is utilitarian, the third edition of Who's Who On Television (ITV Books/Michael Joseph £5.95). The first edition, price 4 shillings, listed Simon Dee, Wilfred Pickles, and the year of Caroline Blakiston's birth. All these are absent from the new edition. So is BBC newsreader Julia Somerville, though ITN newsreader Pam Armstrong is in, and while Mel Smith is listed ("favourite place: bed") Griff Rhys Jones is not. The choice of "1,000 of the best known faces on British television" is pretty catholic, however: from darts player Jocky Wilson to Margaret Thatcher.

The second is funny: Coming To You Live! (Methuen £5.50) is a collection of anecdotes from the early days of television, ranging from the way the white rats were made up with Leichner No 5 for 1984 to the way that Polly Elwes drove sheep off Ilkley Moor into people's gardens so they could eat chrysanthemums for the Tonight cameras.

The third—TV News: Whose Bias?, by Professor Martin Harrison (Policy Journals £12.50)—is a long and detailed refutation of the work of the Glasgow Media Group in their "Bad News" books which accused television news of being biased in favour of the status quo and against unions. This new book will be welcomed by television news executives but, to those of us who always said the Glasgow group was more full of bias and special pleading than television news, it seems somewhat unnecessary.

To BBC Television Centre in the evening for a dinner thrown by director-general Alasdair Milne to mark the retirement of Gunnar Rugheimer, one of the great personalities of the corporation, who was for years chief film buyer; he captured Gone With The Wind and The Sound Of Music. Now he is going into cable programming on his own account, with Adam Singer, son of Aubrey. He gives an extraordinarily clever speech mentioning every guest around the table.

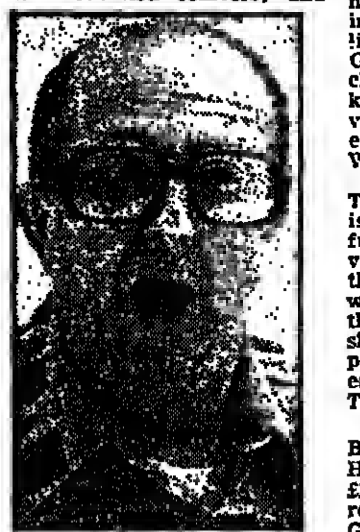
WEDNESDAY

Weekly column appears. Day of rest. Decide to relax by watching videotapes of 'Allo 'Allo, Full House, Girls On Top, Up The Elephant And Round The Castle and Happy Families for forthcoming column on situation comedies. Turns out to be hardest work of the week. Happy Families obviously in wrong batch of tapes: not a comedy at all.

On BBC2 Brass Tacks tries to establish whether the British police are using new paramilitary tactics against crowds. They show that the police behaved appallingly at Manchester University in March, but the broader question remains in doubt. The "analysis" of the 1968 Grosvenor Square demonstration with former Chief Constable John Alderson, which seeks to suggest how well-mannered the police were in those days, is utterly misleading since it ignores those areas where the police were methodically beating demonstrators to the ground, kicking heads and so on.

THURSDAY

40 Minutes is an unusually moving account of an odd life: that of Michael Cooper. Producer Philippa Walker and film editor Charles Chabot cut with telling effect between a 10-year-old BBC programme about Cooper's childhood proclivities to arson and new material about his efforts today to become e professional magician. Without ever broaching the subject formally, this programme speaks volumes about institutionalised lives.



Phil Silvers: left a priceless legacy

Channel 4 has made the Booker Prize its own, thanks largely to Melvyn Bragg. When you think of the disaster the BBC achieved two years ago when they drafted in Selena Scott, and then consider Hermione Lee's deft handling today of the live phone call to the winner in Salt Lake City ("Bloody hell," she said in her quaint antipodean way) you do begin to wonder about the BBC's supposedly special abilities.

FRIDAY

Saddest news of the week is the death of Phil Silvers, one of the few true masters of television, known the world over as "Bilko," the conniving master-sergeant from Fort Baxter. Silvers' early life to vandeville gave him an understanding of the ordinary man which is invaluable in television comedy: in Britain Johnny Speight from London's East End has a similar understanding. Silvers added to that an instinctive knowledge of how to play to an audience via a television camera; a skill which is different from that of stage or cinema comedy techniques, and seemingly far more rare. Lucille Ball and Eric Morecambe are the only two performers I have ever seen who came close to Silvers' mastery and both, I believe, learnt much from watching him, whether or not they realised it. The 143 episodes of Bilko are a priceless legacy to the world.

SATURDAY

To be able to speak to camera unaffectedly about your enthusiasm and hatreds, and to do so interestingly, is a flair almost as rare as Silvers': Jack Hargreaves has always had it (his fascinating rural series Out Of Town, now called Old Country, is screened at 6.00 on Mondays on Channel 4) and today so has Hannibal's Footsteps—Channel 4 again—Bernard Levin proves that he still has it. Whether on tourism, wine, Don Carlos, truffle-hunting, or the monastic life, Levin's unscripted pronouncements are wholly absorbing.

The South African Government announces that merely burying its own citizens' heads in the sand by preventing domestic television coverage of the country's troubles has not worked. Henceforth they intend to see that the rest of us bury our heads in the sand too. For a while the ploy will succeed: there will be fewer horrific scenes of South African police whipping demonstrators and jumping out of unmarked lorries to shoot them. But then it will become counter-productive. Every ambitious television news team in the world will compete to get clandestine pictures, preferably reflecting badly upon the South African authorities.

SUNDAY

Television seems to have an uncanny ability to roll history out like pastry until it is the same all over: same thickness, same texture, same colour (monochrome). The events even seem to lie about the same distance in the past, although the new series starting today on Channel 4 (again) The Writing On The Wall is dealing with the period of my own adult life. Starting with the Wilson years and devaluation, it covers the beginnings of Northern Ireland's "recent" trouble, the Grosvenor Square demonstration (complete with kicking and punching from the police) and de Gaulle's repeated "non." Robert Kee's script is lucid and literate, and Cate Haste's production admirably smooth. The sequence, in which film of e platform of speakers is frozen and everyone except Enoch Powell is electronically dimmed, typifies the attention which has been paid to detail.

Weekly column in morning.

Bernard Levin—striding out in Hannibal's footsteps

Bursaries to jazz musicians

The Arts Council has awarded nearly £18,000 in bursaries to 21 jazz musicians. The grants, from £400 to £1,350, go to enable projects including the percussionist Paul Hession's work with improvising musicians in Germany and Esmond Selwyn's transcription and annotation of the recorded works of the American jazz guitarist Tal Farlow.

The Great White Hope/Tricycle

Michael Coveney

The Tricycle in Kilburn appears to be going for broke with this British première of Howard Sackler's 1968 Broadway hit about the first black heavyweight champion Jack Johnson. A cast of 27, an ambitious design, 18 scenes: a programme polemic claims that once the GLC is disbanded next April, such things will not be seen again on such stages.

This may well be true. At the same time, Nicolas Kent's production is the sort of large-scale affair the fringe has studiously backed away from for years. This is Lyttelton time, and it is not the meanest of compliments to suggest that the Kilburn show compares more than favourably with the National's own boxing play extravaganza, Golden Boy.

Nor does Sackler (who died three years ago) wilt put alongside Odets. The James Earl Jones movie of his play was indeed a very fine one, but it is exhilarating to be reminded of the original's theatricality and craftsmanship. Johnson, here called Jefferson, is seen preparing for a crack at the title, but we only ever see him hit a punchbag. The social and racial issues in early 20th century Chicago are fanned to life by a white establishment who sense the danger of a black champion: his success, warns Ed Bishop's rubbernecking fixer, would be the biggest calamity since the San Francisco earthquake; and, anyway, what the hell is this country—Ethiopia?

Sackler's use of direct address for such outbursts, along with his sly deployment of asides and his deftness in articulating all sides of an argument, lend the play its spring and vitality. Jefferson's white girlfriend (Jenny Quayle) is the lever used to slap a sexual offences charge on him. A fugitive in Europe after jumping bail, Jefferson is finally trapped into facing the new white hope and is last seen battered and embittered outside the Havana racetrack.

Hugh Quarshie, a glistening shaven-headed action man, seems to have acquired extra poundage and muscles as the smiling champ and conveys a lust for both boxing and life that leaves no room for compromise. The play is a little too long and Mr Kent does not quite solve problems of pace and clarity in the second act travelogue section. But the central debate, one of undiminished urgency, emerges loud and strong; to summarise crudely, how white must you become to survive as a black?

John Matshikiza spits out the non-integration invective scornfully disrupting a hot gospelling funeral, while Jefferson sinks lowest by appearing in an Uncle Tom act in a Budapest night-club. It is a measure of the play's richness that it deals in the sort of Faustian choices and temptations that bedevil all men of all colours.

Lis da Costa's design is efficient as well as ingenious, the musical direction of Terry Mortimer (everything from cake-walks to blues) well up to scratch. And an exceptionally fine company includes Earlene Bentley as Mother, Barry Jackson as Manager and the seraphic Mark Heath as Trainer.

Mathis der Maler/Zurich

Andrew Clark

It was Zurich which staged the première of Hindemith's Mathis der Maler in 1938 when the composer was persona non grata in Nazi Germany. It was the young Ferdinand Leitner, an alumnus of Hindemith's musical theory classes at Berlin in the 1920s, who conducted the first German performances after the war. On the basis of sentiment alone, then, there was some justification for inviting Leitner to conduct this season's new production at Zurich. In the event, his sovereign control and reasoned exposition of a score that is at best sombre and at worst depressing, made this production as near a triumph as the opera is likely to enjoy.

Mathis is the second of Hindemith's three "artist in society" operas. Its unwavering, almost Presbyterian seriousness and the fact that its composer has been left stranded for so long by the tides of fashion, have given the opera little currency outside the symphony which Hindemith culled from it. The EMI recording by Kubelik, with Fischer-Dieskau in the title role, made a worthy attempt to redress the balance. But unlike Cardillac which seems tailor-made for the current ENO repertory, Mathis bears the imprint of the German opera thet does not travel well.

Contrery to expectations, Mathis does not come over as overlong lo the theatre, at least not in this production, which cut the fifth tableau scene between Ursula and the Cardinal, and was nooe the worst for it. The simplicity of the visual presentation gave the plot a lean allegorical profile. Toni Businger's decor was confined to e series of primitive repreaeotational penels, with costumes placing the action firmly in the 16th century.

The stage director, Claus Helmut Drese, concentrated the action front of stage on a raised platform. The virtue of which was to make every word audible. Otherwise he contented himself with broad guidelines—honest workmanlike stuff rather than inspired stagecraft.

The title role was sung by Gerd Feldhoff, a baritone much admired by Boehm in his day. He has a handsome stage appearance but missed the passion and broad humanity of the character. There was little evidence of the ravage of time or experience. His voice has warmth and breadth, but no substance outside the middle register. The ladies—Beatrice Niehoff as Regina and Agnes Habereder as Ursula — were excellent. So too was Peter Straka, whose pure and forthright lyric tenor and statuesque appearance made Schwalb a very sympathetic peasant leader.

Like Wolfgang Sawallisch, to name just one other German conductor unjustly neglected in Britain, Leitner is steeped in German musical culture and at his best in the theatre. His achievement here was to trace the unity and coherence in Hindemith's use of disparate stylistic sources and make sense of the uncompromising tooe-clusters and cootrapuotal scorlog with which the opere is so well laden.

Nothing was made to sound heavy or coogesled. Dramatic pace, rhythmic drive and breadth of phrasing were a delight, aod the orchestra played superhly. With a reading of such calm assurance as a guide, the caae for interpreting Mothis as autobiographical opera—Hindemith pleeding for artistic autooomy in times of political and social turbulence —can rarely bave been so persuasively made.

Exhausting show of German art risen from the ashes of war

Mary Rose Beaumont looks at a Berlin exhibition of painting and sculpture since 1945

From a Londoner's viewpoint it would surely seem that German art is on show in such abundance at the Royal Academy and its surrounding satellites that there can be none left in Germany. That the Nationalgalerie in Berlin can mount an exhibition, "1945-85: Art in the German Federal Republic," consisting of some 500 exhibits, proves not only that art is alive and well but also that there is plenty more of it.

The aim of the London exhibition is to demonstrate the continuity of German art throughout the 20th century, whereas in Berlin the emphasis is on how German art has arisen, Phoenix-like, from the ashes of the Second World War. When Hitler acceded to power in 1933 it was his declared intention to suppress all forms of avant-garde art, which culminated in the infamous "Degenerate Art" exhibition in Munich in 1937.

As a result many artists left the country and those who remained had either to conform or go underground. Franz Radziwill is one who stayed, and he will be remembered here for his participation in the "Neue Sachlichkeit" exhibition at the Hayward in 1978. By 1946 no trace of his former smoothness remained. His painting The Loment for Bremen is a raw, rough picture of utter devastation comparable to Goya's Disasters of War.

It becomes clear that German artists, after a period of despair were determined to rejoin the mainstream of the avant-garde, and many paintings reflect the influence of the Ecole de Paris. The heroes of this period are Baumeister end Nay, although it must be admitted that neither in London nor in Berlin does the heart leap np. The towering shadow is Picasso, and echoes, not to say pastiches, are manifold. There are also cross-currents, not surprising in an age of austerity, with our own Kitchen-Sink school of painters, and in sculpture with what Herbert Read called "the geometry of fear," those spiky, angular, zoomorphic shapes suggesting both defensiveness and aggression.

Cheerfulness breaks out in the early 1960s with the Zero group, miserably represented at the RA but here in great splendour. The aggression is still there — nails are omnipresent in Uecker's pieces, but the abstract patterns he createes with them are extraordioarily beantiful. Heinz Mack shows kinetic pieces in which the interplay of light and movement is mesmeric; an installation of columns in reflective materials lit from below is a spellbinder.

The other group besides Zero which has roots in Düsseldorf is Fluxus, "the world in motion," for whom happenings and coocerts were as mnch part of making art as the actual object. The rooms given over to it in Berlin look like the aftermath of a chaotic party, with Joseph Beuys' bat carefully abandoned on top of a legless grand piano. Beuys' importance as a teacher is acknowledged by his hnge installation of hlackboards and easels in the centre room, although again it rather looks as if the boys and girls have crept away to play.

The return to figuration had begun somewhat tentatively in the 1960s with artists looking at Dubuffet on one aide and Pop Art on the other and photo-realism in the middle, which produced somewhat uneasy results. It was not until A. R. Penck (then living in East Berlin) took politics as the central theme of his art that a new intensity could be expressed. The borror of man's inhumanity to man was ooce again a burning subject. The presence of the Wall can never be forgotten. His most recent piece, Memorial to an unknown East German Soldier, 1984, is impressive end moving: ft consists simply of rough-hewn columns of wood and hronze mounting guard round an altar/table bearing a fallen column.

Penck's sculpture is in the main hall, surrounded hy the current heavyweights of German art—Lüpertz, Baselitz, Kiefer and Immendorf. Lüpertz continues his satires oo German militarism. Baselitz's reversal of the figure still causes disquiet—wbile his Eagle of 1972 is quite acceptable upside down, the Christ corrying the Cross, 1984, in Neepolitan ice-cream colonrs, is lesa so.

Kiefer is much better served here than in London, with four really powerful painlings reflecting concern for Germany's recent and distant past. Immendorf's long-running saga, the Cafe Deutschland, pursues his beunting allegory of life on the edge, a jumble of images which includes swastikas and Russian soldiers, as well as a wildly gyrating couple and two painters painting (Immendorf and Peock).

The young entry is shown upstairs on the spacious ground floor level, with one or two older artists to keep them in their place. The most atriking quality in the work of Fetting, Middendorf end Salome le energy, plus e very seductive application of paiot in hold, even garish, colours. These artists would have added a note of galety to the R.A.

Full advantage hes been taken of the fact that the Nationalgalerie, designed by Mles van den Rohe, is built on a podium and consequently ideal for exhibiting large pieces of scupture. It is an exhausting abow hut, judging by the amount of studioa and galleries in Berlin, by no means exhaustive.

Museums/Antony Thorncroft

Strategy failings at V & A

The Victoria & Albert Museum is in danger of losing the propaganda war over its introduction thia week of a voluntary admission peyment. Sir Roy Strong, with all the enthusiasm of a convert to the cause, constantly paints a beguiling picture of the museum in the future, catering for the convenience of the public, and a pleasure rather then an acedemic duty to visit. But the V & A bas yet to draw the link between its £2 suggested entrence fee and the gloriee to come.

This is partly because, in bis 10 years there Sir Roy has successfully transformed the initial appearance of the museum. The entrance hall, bedecked with flowers (thanks to £15,000 a year from an anonymous sponsor), looks like the opening to a very grand mansion, and pokiness and squalor heve been banished to the upper reachers where few visitors stray.

Sir Roy has already succeeded in persuading companies to pay. Trusthouse Forte is giving £200,000 for the new medieval gallery, end an as yet undisclosed backer is taking care of the Japanese gallery, the first of its kind in the UK.

The Government has also been persuaded to caugh up £5m towards the essential maintenaoce work, with the promise of more towards an eventual bill of £26m. Could it be that in return for this generosity the chairman of the trustees, Lord Carrington, and Sir Roy have been encouraged to undertake some complementary aelf-help to encourage the others—institutions such as the British Museum which have shown no enthusiasm for entrance charges?

For what is missing from the V & A's current atratvgy is any cleer sign where the public's money is going. In effect, the first tranche is earmarked for signs—for improving the information in the museum so the public know what is where. But the museum ahould give the payers a better idea of how their contributions are being apent.

It is surprising that the opening of the museum on Friday is not a greater priority: perhaps the V & A does not want to offer hostages to fortune over the amount of cash it will raise from its venture. Opening on Friday would be costly and a very cautious estimate for the extra income from charges is £500,000 a year—which in theory suggests only 250,000 full paying visitors as against the 1.7m people attending last year.

In practice the museum should raise £1m from the public. By spending some of the cash on an advertising campaign the drop in attendances should be restricted to 20 per cent. By 1987 the fuss should be forgotten and visitors—half of whom are tourists in the summer months —should rise.

After the first day's hi-jinks, which actually boosted attendances over the average Monday although revenue only amounted to 20p a head, the museum yesterday returned to its stately calm. The next few months will be of as much concern to the Government, and other museums, as to the V & A.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Nov 1–7

Theatre

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover, but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

I'm Not Rappaport (American Place): A better title might have been Mensch on a Bench for Herb Gardner's touching, funny and invigorating play about two oldsters embodied in Judd Hirsch and Cleavon Little who almost conquer the world when they think they are just bickering with each other. (869 4731).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions e musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

CHICAGO

Government Inspector (Goodman): The Gogol wit directed against bureaucracy has enjoyed a sympathetic hearing in America the latest contribution being this season-opener directed by Frank Galati with Keith Reddin starring with I. M. Hobson. Ends Nov 10.(443 3810).

WASHINGTON

The Good Person of Szechwan (Arena): Garland Wright directs Ralph Manheim's translation of the Brecht parable in this season opener for an outstanding repertory company. (488 3300).

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

LONDON

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

Breaking the Silence (Mermaid): Another RSC transfer, of Stephen Poliakoff's account of his family's emigration from post-Revolutionary Russia. Alan Howard succeeding Daniel Massey alongside Jenny Agutter. Ingeniously set in an Imperial railway carriage. (236 5568).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, e fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

Torch Song Trilogy (Albery): Antony Sher plays Harvey Fierstein's four-hour triptych of the life and loves of e drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Fierstein's tackily uneven writing. (836 3878).

Gigi (Lyric): Unconvincing stage revival of Lerner and Loewe's film follow-up to My Fair Lady, Beryl Reid rising inimitably above the material, Jean-Pierre Aumont and Sian Phillips lending more conventional support. John Dexter directs, Jocelyn Herbert designs. (437 3686).

The Seagull (Queens): Last chance to catch this superb revival by Charles Sturridge in which Vanessa Redgrave and Jonathan Pryce provide the most exciting acting on the London stage. (734 1166).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earthbound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

Sweet Bird of Youth (Haymarket): Lauren Bacall elegantly decadent as Tennessee Williams's doomed movie queen. Harold Pinter's direction and Eileen Diss's evocative designs contradict the play's lopsided reputation and place the central tussle between the star and her gigolo (Michael Beck) against e detailed canvas of small town Southern vengefulness by the sea (930 9832).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with e third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of e musical. (834 1317, credit cards 828 4735).

Phedra (Aldwych): Welcome return of last year's Philip Prowse production, beautifully costumed, with e brave attempt at the Racinian metre in Robert David MacDonald's translation. Glenda Jackson superb in a strong cast also boasting Georgina Hale, Joyce Redman, Gerard Murphy and Robert Edison (836 6404).

NETHERLANDS

Nijmegen, Schouwburg. Landa Theatre from London with Thornton Wilder's Skin of our teeth. (Thur). (221100).

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Wednesday November 6 1985

G5 deal needs more zip

IS THERE or is there not a "secret agreement"? Finance ministers and central bank governors from the Group of Five leading industrialised countries must have got thoroughly fed up with hearing this question, ever since the sudden announcement in September that the G5 had agreed on co-ordinated intervention to push the dollar downwards on the foreign exchanges. Despite the obvious unlikelihood that finance ministers would wish to share their "secrets" with the general public, the markets have found it hard to resist the steady stream of rumours about the real horse-trading that went on at the G5 meeting in New York.

The latest revelation, partly suggested by a firm denial of any change in German monetary policy from Mr Karl Otto Poehl, the president of the Bundesbank, is that the G5 agreement wasn't that at all. It was really a deal between the "Group of Two"—the US and Japan: the Federal Reserve Board and the Bank of Japan would push the dollar-yen exchange rate down to Y200 or even lower. Meanwhile, Europe's finance ministers would remain on the sidelines, perhaps making the odd market sortie to confuse the speculators, but basically carrying on with business as before. There may well be some truth in this interpretation of the G5 agreement—a statement which is not based on any exciting conspiracy theory or leaked agenda from the G5 meeting, but from a more mundane observation. The G5 agreement probably amounts to less—not more—than meets the eye.

The fact is that there is still precious little recognition in any of the major industrialised countries, the US and Japan included, that domestic policies, as well as international ones, must change if balance is to be restored to the global economy. The G5 meeting may have marked a turning point in the philosophical world view of the American and British treasuries, which were both forced to eat a lot of words about the futility of intervention and even the logical incoherence of the very concept of "overvaluation" in freely competitive currency markets.

Economic policies, however, are ultimately determined not by economists, but by politicians. And even if Mr Nigel Lawson, the British Chancellor, has gradually been persuaded of the benefits of currency stability, while Mr Beryl Sprinkel, the devoutly free-market US under-secretary for monetary affairs, has been quietly removed from the treasury, there has been little change in basic political convictions at the level of President Reagan, Mrs Thatcher or Mr Helmut Kohl.

This means in practice that there was little chance of the G5 finance ministers reaching an agreement about anything beyond the technicalities of intervention policy for the simple reason that the key decisions on taxes and public spending had been ruled out of bounds by their political bosses, the heads of government of the industrialised world. This does not necessarily imply, as is sometimes held in the markets, that the G5's currency efforts are ultimately doomed to failure.

Intervention alone can have a major psychological effect and if it is supported by a "non-sterilising" monetary policy, it amounts, by any definition, to a change in the economic fundamentals. In the past few weeks the Japanese government has shown that it, at least is prepared to accept the monetary changes required by the G5 intervention agreement. Mr Poehl's statement on Monday implied that Germany was not prepared to change its monetary policy, which is not altogether surprising since, in political terms, it is Japan, not Germany, which finds itself in U.S. Congressmen's protectionist firing line.

Imbalance

What all this indicates, however, is not that the G5 agreement is being faithfully observed by the Japanese and ignored by the Germans. Rather it suggests that the agreement needs to be substantially expanded. What Germany needs is not a monetary tightening, as part of a co-ordinated intervention for against the dollar, but a fiscal relaxation, as part of a coordinated switch in fiscal policies, involving America, Europe and Japan. Germany's current account surplus, at roughly 2 per cent of GDP, is clearly excessive by any historical standards, even if it pales besides Japan's surplus of 3.5 per cent of GDP. Taking Europe as a whole, the current account surplus of $41bn projected for next year by the IMF should be viewed as a serious global imbalance, on a scale comparable to Japan's projected surplus of $57bn.

In the present fragile state of the world economy, it would be wrongheaded for Europe to tighten its monetary policies in an attempt to help the dollar downwards. But this is not an argument against co-ordinated intervention; it is an argument for bringing fiscal policies, including the budgetary shibboleths of politicians in Germany, Japan and even Britain clearly into the arena of international discussion.

Rearguard of Sabbatarianism

EVEN before it is formally announced in the Queen's Speech today, the Government's proposal to legalise Sunday retail trading seems to be arousing more opposition than anything else the Government proposes. It is strange and sad that such passions should still focus on this hoary old issue, and especially surprising that a number of Tory MPs seem to have joined the old coalition of Sabbatarians and trade unionists. Mrs Thatcher must sometimes wonder how far she has really changed attitudes in the country when her own party is still wobbly on the merits of a market economy.

The Sabbatarians can surely swing few votes, when even Scotland, with its Puritan traditions, has led the way to greater trading freedom. The rest of us may respect their self-denying virtues, and they will clearly not be thronging the shops on Sundays; but they have no more right to impose their views on the country than, say, the vegetarians, another austere and respectable minority.

Philosophy

The main objections, however, rest not on good fundamentalist religion, but on bad economics. It is variously argued that Sunday opening will lead to the exploitation of workers, that it will simply divert trade which cannot afford staff for Sunday opening, and that it will raise prices. The truth is that Sunday opening will in no way affect the bargaining strength of shopworkers. It will certainly create employment, and almost certainly create extra trade, too.

This last point is absolutely fundamental to the philosophy of the present Government, which starts from the fact that the major engine of economic growth throughout the ages has been the creation and exploitation of trading opportunities. This may not be the whole truth; a belief in trading does not rule out the possibility that government demand management has a role to play, as government rhetoric sometimes suggests. It is certainly a great deal nearer to the truth, however, than the idea that the Government alone determines the level of trade, which can subsequently only be shared out. If that were the case, the shopworkers could logically campaign for a four-day week. Conservatives especially should think twice or more before they vote for this lump-of-trade fallacy.

The price argument is equally hollow. Some stores may well raise prices to cover the costs of Sunday opening; nobody need pay them; others will seize an opportunity to turn over their capital more quickly. Customers may even prefer expensive Sunday butter to dry bread. It is a choice that can safely be left to the market.

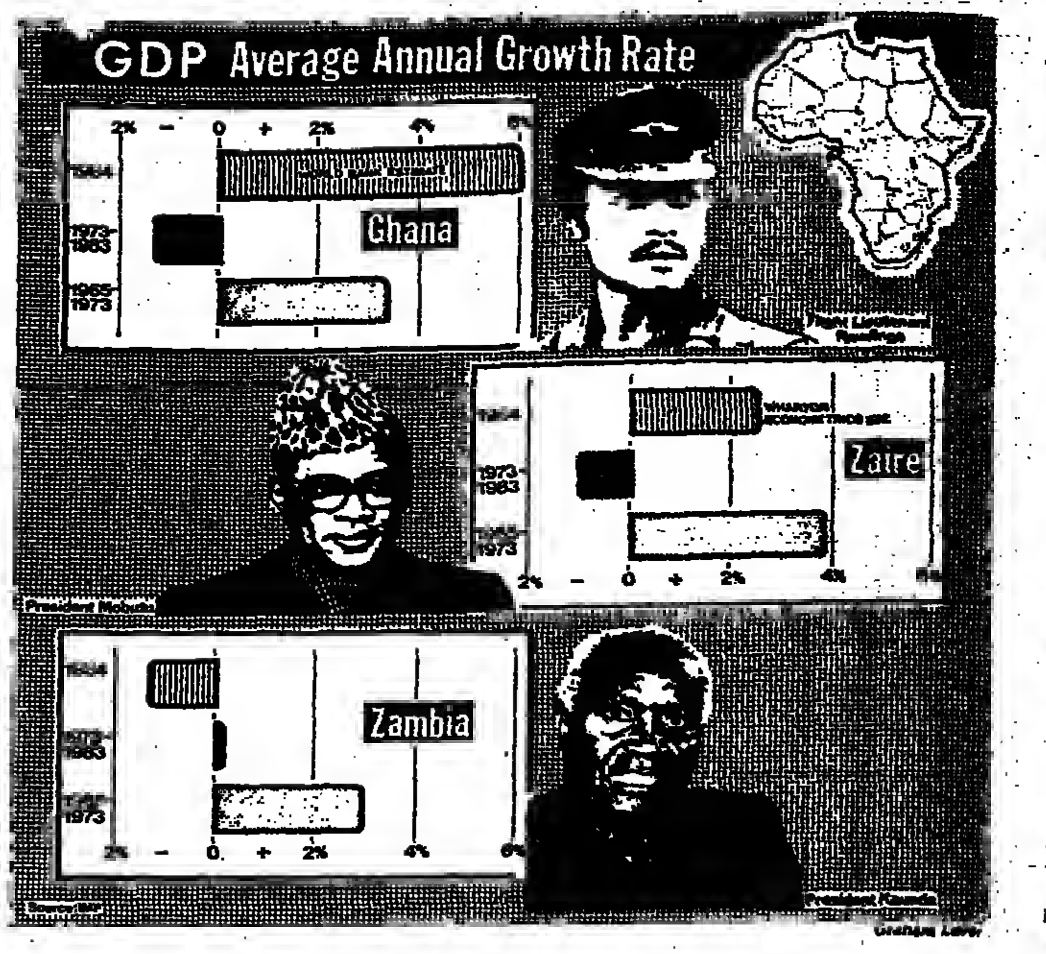
There is also a strong social argument for Sunday opening. In all the industrial economies, but most of all in the UK, recent years have seen a rapid and welcome growth in jobs and opportunities for women—which is one reason why unemployment among men remains so distressingly high. It is quite illogical to have shops open when most people are at work, and closed for most of their leisure time. More flexible trading hours could also help customers and trade. This might even create new leisure opportunities for shopworkers; nothing compels stores to open, as so many do, when there are hardly any customers about.

The Bill will be welcome, then but where is its companion? The Government is still studying the even older question of licensing hours, despite evidence from Puritan Scotland — not to mention supposedly hard-drinking Australia —that liberty here does not mean licence in the wrong sense. Market economics can be harsh, but can also be fun. The Government should accentuate the positive.

Africa and the IMF

The patient is ready for a new prescription

By Patti Waldmeir



"THE IMF does not care whether you are suffering economic malaria, bilharzia or broken legs. They will always give you quinine."

President Kenneth Kaunda of Zambia's wry commentary on the methods of an organisation which is widely viewed in Africa as a peculiar amalgam of stern physician, harsh probation officer and neo-colonialist exploiter must have raised a chuckle from many a beleaguered African central bank governor or sober Finance Minister—after a quick glance down the corridor to ensure that the resident IMF representative was not within earshot.

For throughout most of black Africa, "IMF" is a household name. While the legendary "market mammies" of Accra (their rich folds of flesh often concealing vast sums of money gained through trading), or the pidgin-speaking taxi drivers of Lagos may not be able to quote its full name, they are in no doubt as to what these three initials stand for—austerity.

The Fund's presence in Africa as a major financier, rare up until the late 1970s, has since grown to the point where 27 countries out of 50-odd in sub-Saharan Africa have had to turn to it for balance of payments support in the past five years.

Overall, the Fund extended some SDR 8.53bn (£6.29bn) in loans to the region between 1980 and 1984—loans which are now falling due and are in some cases (notably Zambia and Sudan), already overdue.

Those countries worst hit by Africa's current economic crisis have scarcely any hope of repaying these debts in the next decade without borrowing the money to do so from other official sources. For them, Fund lending has only increased their already intolerable burden of short-term debt.

The success of failure of the IMF's austerity prescription for Africa—vigorously debated for some years in the Continent's press, its bars and its diplomatic cocktail parties—now appears to have become a major source of concern among the Fund's chief Western backers as well.

With vast areas of the continent sunk in an economic crisis of unprecedented depth the IMF's role in Africa has come under sharp scrutiny.

The recent annual meetings of the IMF and World Bank in Seoul brought this issue into the international spotlight. The result was broad agreement to pursue a new Third World debt initiative including plans to boost lending to the poorest African countries through a $5bn joint World Bank/IMF funding programme.

The West, and particularly the US, gave notice of a new growth-oriented approach to economic adjustment in Africa. Implicit in this change of strategy is a judgment that IMF austerity programmes alone are inadequate to deal with the long-term structural imbalances which characterise most of Africa's economic crises.

The IMF's stock argument that the "mixed performance" of its policies in Africa is the result of poor implementation by recipient governments—crudely put, that failure is the result of too little IMF medicine, not too much—would appear to have lost some credibility.

The experiences of three countries widely viewed as major test cases for the Fund in Africa—Zaire, Ghana and Zambia—cannot have been far from the minds of those Western bureaucrats who argued for a new approach in Seoul. They are among the continent's worst economic disaster stories—but also among those countries which have gone furthest along the road to IMF-inspired economic reform.

The economic histories of the three provide an inventory of the mistakes and misfortunes which have precipitated Africa's economic and political crisis.

The three countries enjoy vastly different levels of natural and created wealth, political backgrounds and political problems which have little in common. What they share (apart from the resident IMF representative down the corridor) is a degree of desperation which has left them little option but to make a serious and sustained effort to administer the IMF's medicine.

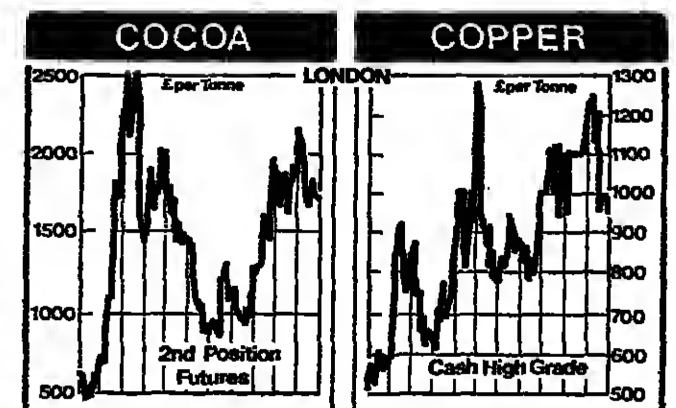
Conclusions about the impact of IMF policies in these countries are extraordinarily difficult to draw, largely because of what the IMF drily terms "unforeseen developments." Drought in Ghana, copper price movements in Zambia and donor reticence in Zaire make it difficult to apportion either praise or blame with any degree of confidence.

Zaire is perhaps the clearest example in Africa of a country which has suffered the painful contraction of demand, and living standards, sought by the Fund — but has reaped only a fraction of the promised benefits.

According to a recent IMF study of adjustment programmes in Africa, prepared by a former director of the Fund's African department, Justin Zulu: "Restoring financial stability can generate confidence that will encourage foreign investors and lead to private sector capital inflows. As recent experience shows, foreign creditors and donors are prepared to provide additional resources to countries undertaking serious adjustment efforts."

Zaire's experience does not bear out Mr Zulu's optimism. Since late 1982, the country has registered impressive successes with its economic reform programme and earned glowing endorsements from the West. Expenditure control and improved revenue collection have restored public finances to their senses, with the budget deficit falling to 3.4 per cent of GDP in 1984 from 10.5 per cent two years earlier. Inflation has been cut to around 20 per cent from over 100 per cent in 1983. The distortions of a thriving currency black market have been virtually wiped out through devaluation and the subsequent floating of the Zaire currency and the Bank of Zaire has scrupulously met repayments on the country's rescheduled external debt ($4.4bn at the end of last year).

But the rise in private capital and donor inflows which Zaire was led to expect as a reward for three years of impeccable financial behaviour have been tortuously slow to materialise.



Leighton Morris

In 1984, Zaire repaid some $191.5m *more* to medium and long-term creditors than it received in new funds. And despite praise for its programme from Western bilateral donors, new aid disbursements from these sources have lagged well behind Zaire's repayments to them of principal and interest.

The Government of President Mobutu Sese Seko can scarcely escape all the blame for this outcome, say donor officials in Kinshasa.

But there can be little doubt that unless there is a major increase soon in multi- and bilateral aid and new foreign investment, Zaire's will to stick to its reforming policies will be weakened.

Government officials question whether, despite all the hardships (Kinshasa markets sell onions cut into quarters to match the purchasing power of shantytown dwellers), the basis has yet been laid for long-term growth.

In the case of Zaire's southern neighbour, Zambia, the Fund's short-term horizon is completely dwarfed by the magnitude of the country's economic problems.

Comments the World Bank in a remarkably candid passage about Zambia from its 1985 annual report: "In retrospect . . . . it must be admitted that both the acuteness and duration of the decline in copper prices were grossly underestimated by all parties: as a result, the scope and character of the policy and institutional reforms that were set in motion were never commensurate with the gravity of the crisis."

Consequently, the IMF pressured Zambia for more radical reforms. President Kaunda responded in September with an adjustment programme which is among the most severe in Africa including the introduction of a foreign exchange auction which has led to a massive devaluation of the Kwacha.

The main aim of the auction is to establish a more realistic exchange rate for the Kwacha, in order to boost non-traditional exports (in the face of a projected sharp decline in production of copper, the main export earner) and attract new foreign investment.

But even the most optimistic analysts say it is difficult to be sanguine about the economy's prospects. They do not expect non-traditional exports to begin to take up the slack from lost copper revenues for several years to come.

Foreign investors will continue to be deterred by Zambia's failure to clear a commercial arrears pipeline estimated at $700m (including interest due) — and Zambia's $700m debt to the IMF (excluding interest) is a major burden. Zambia is currently about $73m in arrears to the Fund.

Of the three, Ghana is most frequently cited by the international institutions, and by Western bi-lateral donors, as a clear-cut success story. The World Bank's 1985 annual report singles Ghana out for special praise, calling its economic performance over the past year, when GDP grew by 6 per cent in real terms, "remarkable."

What is not clear is the extent to which the striking improvement in the Ghanaian economy—Flt-Lt Jerry Rawlings inherited a nation hurtling towards economic collapse when he took power in a December 1981 military coup—is the result of IMF-backed reforms, and to what extent the credit lies with the return of normal weather after a devastating drought.

Western donors are excited about Ghana. Many see it as the "most likely to succeed" of all the IMF's test cases in Africa —and they have backed it accordingly (with $450m in 1985 alone).

Nonetheless, the short- to medium-term remains worrying. Programmes to boost cocoa and gold exports (the main foreign exchange earners) are both at least a year behind schedule, and Ghana faces a serious debt servicing problem which could get out of hand unless exports show more resilience.

According to a government report, debt service due in 1985 amounts to $423m, or 63 per cent of export earnings as projected in the 1985 budget. And from the end of this year, net flows from the IMF turn negative, making it likely that the country will be forced to continue rolling over agreements with the Fund despite a domestic political atmosphere which is increasingly hostile to its dictates.

These three countries give a flavour of the IMF's record in Africa, a record which is catalogued in Justin Zulu's recent paper on adjustment programmes on the continent. The conclusions of the paper must give both African and Western policy-makers pause. In the period studied (1980-81), only one-fifth of countries reached the programme's target on economic growth. Half reached their inflation target and only a third attained targets relating to the current account of the balance of payments.

Nonetheless, most Africa-watchers agree that governments on the Continent are, on the whole, showing a new commitment to reform. But they expect greater donor backing if they are to survive the political risks involved: the risk of postponing, seemingly indefinitely desperately-needed investments in social infrastructure, the risk of constraining demand to the point where only a quarter of an onion is affordable; the risk of sudden retrenchment in countries with no system of social security. They are risks of which African officials contend, the IMF shows little appreciation.

The West would do well to look again at the conclusion of the World Bank's third report on sub-Saharan Africa, published a year ago: "A growing number of African countries are at a turning point in their willingness to implement major policy reforms," warns the Bank.

"Unless external financial support is forthcoming, they may go no further."

Men and Matters

What's the score?

He has attended all the important Whitehall meetings over public spending this autumn. He says nothing. He offers no advice. And, apart from the occasional yawn, grin, or gasp of horror, he takes no noticeable part in the proceedings. He is The Scorekeeper.

This year the Treasury has chosen an assistant secretary, Richard Gray, for this silent service.

As the spending ministers and the Treasury ministers indulge in horse-trading and bargaining his job is to note down the series of claims, counter-claims, offers, and withdrawals, in the labyrinth of negotiations. At the end of each day he reports back to Great George Street so that the Treasury always knows where it has won, lost or drawn.

Gray could probably fill a book by now on ministerial tricks, trials and tribulations. But true to the form, he has observed his vows of silence monastically.

Once the final details of the 1986-87 public expenditure have been agreed by tomorrow's Cabinet meeting he will leave the political battlefield and return to the anonymity of one of the world's most secretive treasury buildings.

On the ball

As keen snooker players, Terry Foster and Glyn Ineson were sometimes put out when they arrived at their club in Morley, Yorkshire, to find that the previous players had not put the protective dust-sheet over the table.

When the two—friends since schooldays—were paid off from their jobs a year ago they started making a spring-loaded table cover.

Their enterprise brought them a £2,000 cheque yesterday and the first Wira Technology Group "Initiative Award," founded by the Leeds-based research group for bright ideas in the woollen industry.

The baize on a snooker table costs up to £500. Ineson says that their Baizegard cover will lengthen the life of a table by at least a quarter. "At £130 the cover will pay for itself in a year."

Defensive gesture

An offshore millstone that has hung round the British taxpayer's neck for more than a century will be removed if a plan announced by Guernsey to take over the upkeep of the half-mile long Alderney breakwater goes ahead.

Guernsey specifically excluded the breakwater when it took over responsibility for Alderney's finances after World War Two. Now, faced with a request to contribute to Britain's defence bill, the island sees a way of killing two birds with one stone — fulfilling its duty while ending a potential source of friction with Whitehall.

Work on the breakwater started in the 1840s as part of an abortive Admiralty scheme to create a huge naval harbour in Alderney to counter the base built by the French at Cherbourg.

By 1864 well over £1m had been spent on the great work, in deep and stormy waters. Since then it has been damaged by Channel gales almost every winter.

The Department of the Environment now employs a team endlessly repairing the white elephant at a cost of some £500,000 a year.

The Channel Islanders have always taken the robust view that as the British government put up the breakwater it should pay for it . . .

Time-piece

Regular rail travellers may have been surprised to learn, in a report from the independent transport watchdog committee, that a mere 51 per cent of Inter City trains are late.

My man on the Paddington platform thinks he has discovered how British Rail manages it.

Trains which are running behind time are now "re-timed"—so that when the measuring comes to be done, the original train no longer exists and therefore cannot be late. Simple when you know how.

Charity accounts

With more than £900m a year now being given to charities in Britain, the standard of their reports and accounts has become a matter of some importance.

The Accounting Standards Committee is due to publish its draft guidelines next week—but for the past three years Accountancy magazine, the Charities Aid Foundation and the Voluntary Movement Group have been encouraging improvements by sponsoring awards for the best annual reports.

This year's top prize of £1,000 was presented yesterday to the British Heart Foundation which, with an income of around £12m last year, funds some two dozen research units in universities and hospitals.

Its report, produced by Claire Marley and Burnett Associates, strikingly illustrates the Foundation's work with the case histories of heart disease victims, pictured on the cover as "Five Who Survived—Living Proof that Research Saves Lives."

The £1,000 will go to St George's Hospital, London, to help pay for a study into why some people have heart attacks without previous warning.

A special award for smaller charities went to Centre Thirty-Three, a youth counselling service in Cambridge run by some 30 people on an income of £19,000 a year. Their home-produced report and accounts even includes several poems about their work.

Two sides

There are two contrasting references to Martin Abramson, chairman of Ronald Martin, the office equipment and stationery group, in the papers associated with the company's proposed USM flotation.

A pen portrait, in a leaflet about the activities of a subsidiary, RMS International, says Abramson "is known throughout Europe, America and the Far East for his business integrity and has an unimpeachable record of straight dealing."

On page 35 of the placing document, it states that "in March, 1982, the Crown prosecuted the chairman of the company who pleaded guilty in the magistrates' court to a charge of forgery and deception and received concurrent suspended sentences of one month and three months respectively."

The charges related to the practice of obtaining typewriters from distributors at discounts wider than those normally available by ordering them in the names of, certain big customers.

Abramson says that his company was doing quite openly just what many others in the business were doing; that it stopped the practice before the court case; and that it refunded the £2,706 it had obtained in extra discounts.

Quite so. But "unimpeachable record?"

Face value

A bit of shrewd salesmanship was noted in a London street market yesterday. Beneath a sign proclaiming "Look young—Feel young," were jars of rejuvenating cream.

"Will it really do that for me?" asked an elderly woman. The stallholder turned to a young girl at his side and said: "Give the lady a large jar, mother."

Observer

Thames Television

A screen test for thwarted sellers

By Raymond Snoddy

RICHARD DUNN, 41-year-old managing director of Thames Television, sums up the recent history of the largest ITV company with feeling: "It's been one hell of a year. I'll be glad when it's Christmas."

Behind his desk a cartoon shows an upside down television picture on a domestic set—a trophy from the strike-breaking management service put out by the company a year ago.

The strike, during which management demonstrated clearly that it could get the picture the right way up without the technical unions, ushered in a year of headlines and crises.

Within 12 months, apart from the confrontation with the unions, there has been:

- The Dallas affair—the "poaching" of the oil industry drama from the BBC. The unilateral acquisition was "an act of almost reckless misjudgment," according to Mr Hugh Dundas, the Thames chairman, and one which he believes has caused deep division in what had been a united and happy company.
- Thames declared a loss of £4.8m on its UK television operations in the year to March and was totally dependent on a £13.6m contribution from overseas sales for its £8.7m profit on a turnover of £167.9m.
- The company lost not only its managing director Bryan Cowgill, who resigned over the Dallas affair, but also a finance and sales director.
- Central and Television South continued to eat into Thames' share of national advertising revenue which showed an unexpectedly sharp decline and has been reversed only in the last three months.
- To cap it all came last month's bid from Carlton Communications, a television facilities and advertising production house with a dramatic growth rate. Before the bid many Thames executives had hardly heard of it. Thames' owners BET and Thorn EMI soon made it clear they wanted to accept Carlton's £82.5m bid—if the IBA would let them.

The series of crises have led some to believe that the flagship of British commercial television has been holed below the waterline and will slowly sink in the next Independent Broadcasting Authority (IBA) franchise round in 1989.

Yet despite such a run of problems Mr Dunn, who was director of production at Thames until he was asked to run the company in July after the unexpected Cowgill resignation, is optimistic about the future.

"I think we are in very good shape to win the franchise," says Mr Dunn, who was a heavy middleweight Cambridge boxing blue, and also founded his college drama society.

● Richard Dunn: "hell of a year"

For that forecast to stand a chance of becoming reality the question of ownership is the most serious and immediate problem to be sorted out now that Thorn and BET have revealed themselves as willing sellers.

"The pressure is on for a fairly considerable reconstruction which I hope will end up with Thames retaining its sovereignty, having a broader based shareholding structure and all its parts intact," says Mr Dunn.

Indeed, the IBA made it clear at the time of the last franchise round that it wanted the share ownership of Thames—BET and Thorn EMI share equally all the voting shares through their subsidiaries AR Television and Thames Television Holdings—to be broadened.

Plans for a flotation of about 20 per cent of its shares were being prepared when Mr Michael Green, the 38-year-old chairman of Carlton, identified Thames as both the most attractive and vulnerable vehicle to carry him into mainstream television.

On September 6 Mr Green first offered close to £65m for Thames. When this was summarily rejected as too low, Carlton, a company capitalised at more than £200m, increased the offer to a point at which it could not be refused—£82.5m.

Both Thorn EMI and BET have decided for different reasons to move away from the entertainment sector.

Carlton planned its attempt to buy an ITV company over many months. It was three months ago when Mr Green startled Mr David Glencross, the IBA's director of television, by suddenly asking over lunch: "How do I buy an ITV company?" to which the answer was "You don't."

Despite this, Mr Green subsequently had talks at the IBA with both Mr John Whitney, the Authority's director-general and Lord Thomson, the IBA chairman.

All sides in the affair believe that either Mr Whitney or Lord Thomson, or both, led buyer and sellers to think a deal was possible.

On Friday October 11, just before news of the bid became public Mr Whitney, telephoned Thames shareholders and Mr Green leaving the impression that he was now bullish about the prospect of the bid going ahead.

The IBA unexpectedly cut short discussion on October 10 when it said the Carlton bid was unacceptable on the grounds that it would lead to "a major change in the nature and characteristics" of a viable ITV company.

Apart from pre-empting further discussion the brief statement ahead of the next Authority meeting on October 16 appeared to create a precedent that the ownership of a viable ITV company cannot change hands in mid-franchise and cost BET and Thorn EMI a lot of money.

"We'll never get anything like as good an offer again," a Thorn executive says plaintively.

The main IBA concern, it is believed, was the fear that a successful Carlton bid would create an auction in the shares of other ITV companies.

THAMES RESULTS
(Year ending March 31 1985)
Turnover: £167.87m
Profit: £8.775m
Profit on overseas sales: £13.6m
Loss on UK operations: £4.8m

Most options on the future ownership structure of Thames are still open.

But one possibility being considered envisages a two or even three-stage disposal.

In this plan Thorn, which is more eager to move now, would get rid of all its stake as soon as possible, perhaps in a private placing to three or four "blue chip" British companies. BET would hold on until the television company's financial prospects improve and then take part of its money from a 20-30 per cent flotation next year. BET might keep a small anchor stake to see Thames through the next franchise period before finally bowing out of commercial television after nearly 30 years involvement.

But what sort of a company will the new potential entrants to commercial television be buying? How could the largest ITV company lose nearly £5m on its UK franchise?

"It's been a licence to print money. The trouble is they've given it all away to the staff," a senior executive from a rival company says.

In fact the process of change at Thames is already well under way. After record £13.5m profits in the year to March 1984 Thames board backed a proposal by Mr Dunn to "get among the working practices that are costing us so dear" "even at the risk of turning the screens blank.

The two strikes that resulted cost £5m, but Mr Dunn believes, created a new climate of industrial relations at Thames.

"I was very worried after the strike that the climate would be spoiled for ever. Absolutely the reverse. The whole management earned a new respect," he says.

The salaries of video tape editors have fallen as a result of the strike from about £28,000 to £20,000 a year and Mr Dunn managed to end payments for overtime that wasn't actually worked. Agreements were also reached on rostering the number of transmission staff needed for a particular shift rather than having a fixed crew of 30 on duty even when Thames was only relaying another ITV company's signal.

The changes have saved more than £500,000 this year, talks on reducing the size of camera crews are continuing as part of a continuing campaign to cut costs.

Over the next three years these cuts could lead to between 200 and 300 jobs going at Thames through natural wastage or early retirement.

Work is well advanced on drawing up a five year plan for the company.

"We will be in a position to say to the unions after Christmas: this is the future direction of the company for five years up to and including the franchise," says Mr Dunn who emphasises the importance of future negotiation rather than confrontation.

Thames has also reconstructed its advertising department after hiring Jonathan Shier to run it from Scottish Television. The company's advertising share last month rose to 15.5 per cent after recently hovering around 14 per cent.

As advertising revenue turns up Mr Dundas believes there is a good chance that Thames will have a record year with some executives believing net profit of £15m is possible. Even the final resting place of Dallas will have almost certainly have been decided by Christmas.

After a train of disasters Thames has some good news to report. The US television association which awards the international emmy's has chosen Thames to present a gala evening of its programmes in New York in 1987—the first British television organisation to be chosen.

In addition to prestige, the "Salute to Thames" will be an extremely attractive shop window for further programmes sales to the US.

The IBA's mid-term review due to be published in December of ITV contractors will almost certainly give Thames an "excellent" rating for its programme output which ranges from Minder to TV Eye.

Once when boxing for Cambridge, Richard Dunn had to tackle a "quite ferocious looking "Royal Marine who was also an ABA champion—but he went the distance.

The 6 foot 4 inch managing director is clearly determined to do the same at Thames and take the company into what he believes is the growth area of commercial satellite television in Europe.

Britain's overseas trade

Why services will not fill the gap

By Lord Aldington

ON OCTOBER 16 Christian Tyler gave a concise summary of the Report of tha House of Lords Select Committee on Overseas Trade. The next day Samuel Brittan gave the report an unintended boost with some scornful comments directed at my colleagues and myself. Quite amusing, and no offence taken. It is not the messengers that matter, but the message. Happily, his article, when combined with some intemperate and inaccurate thunder from an over-sensitive quarter of Whitehall, helped the report into its *fourth edition. Thank you.*

The message is clear, however unpalatable. If we are to *avoid a crisis in Britain's affairs* in the foreseeable future, the national attitude towards trade and manufacturing needs to change radically. That is not a message of inevitable doom. We have confidence in Britain's ability to manufacture, given the right conditions.

The argument against us is that there will be no crisis. We can go on as we are. Certainly the reduction of inflation is most welcome, as is the record volume of exports and the improvement in productivity. But these have to be seen in world perspective. Imports of manufactured goods reflect industrial competitiveness just as much as exports do, and are much greater than those exports. There is as a result a deficit in the manufactured goods account of nearly £4bn instead of a surplus of £5bn in 1980. Think of how many extra there would be in employment if we produced and sold £9bn more goods. Though manufacturing output is substantially higher than in 1981, it is still much lower than in 1974. Other major competitor countries, by contrast, record higher manufacturing output since those years. And despite recent improvements the gap between our productivity and that of our competitors is larger than it was 10 years ago. Our recent economic growth is also most welcome, as is the surplus in our total balance of trade, but North Sea oil has contributed greatly to both, and in doing so has masked the underlying problems that have plagued the British economy for decades.

We agree that manufacturing, services and agriculture are interdependent in the economy. That is not a good reason for allowing manufacturing to decline in output and competitiveness. We are of course aware that in developed economies services form a growing part of GDP, but the fact is that alone among its competitor countries Britain's manufacturing output has fallen in absolute terms since 1974.

That the demand is there for manufactured goods is proven by the figures of imports into the UK market, as by the flourishing trade in manufactured goods in the world. It is fiddlesticks to say we have not studied the market mechanism. We have observed that the markets of today are not the same as ideal theoretical markets; governments intervene, even the British Government; credit terms are often vital, and so on. It is in those kinds of market that our manufacturers must compete.

The dynamic process of growth and production

Both the Chancellor and Mr Tebbit firmly stated that they were not unilateral disarmers in this or any other field. We asked for more support from the Government to match and sometimes to outdo our competitors. Britain is behind and has to catch up.

Quite rightly the British Government has given over £400m to support innovation and more than £1bn to industry in other ways. So Whitehall talk that this kind of support cocoons industry with subsidies is odd. Likewise with help for export promotion, where the extra expenditure recommended is minimal. Since growth and production are a dynamic process, the more our exports are stimulated, the more this feeds into domestic growth. If all that is "corporatism," I am not ashamed of it. Governments by their decisions can be a driving force. Look around you.

But perhaps the most important difference between us and Samuel Brittan lies in his belief, which he shares with the Treasury, that as the oil trade surplus runs off the rest of the trade balance will automatically improve again. We examined both the forecasts of the decline in North Sea oil output and the automaticity argument. We thought it prudent to base plans on 1990 as the date when Britain's oil account is no longer in surplus. It was wrong to write that we had ignored a Government memorandum giving a later date. Our conclusions on automaticity are summarised on page 82. Services cannot substitute for manufacturing. The decline of manufacturing output was not an inevitable consequence of North Sea oil. New industries and new products require a long time-scale. Lost capacity will take time to restore. Lost markets at home and abroad will take time to regain. Recovery from the present base is not just a matter of improvement. You cannot improve what has gone.

The exchange rate is affected by many other factors than the oil balance. And the interest rate is also not unimportant.

The ups and downs in the oil account do not by themselves tackle the long-term factors which over many decades have damaged the competitiveness of manufacturing in Britain. Long-term factors identified by the Committee led to its call for a change in national attitudes to give manufacturing a higher place in society, in education, in careers, and in financial and industrial policies. Recent events have made that change all the more urgent. The longer we delay, the steeper the climb. Ours is not a "doom and gloom report." With a change in national attitudes our manufacturers can capture more markets at home and abroad, and can create a larger industrial base. Of course, in the long run, even without the changes steps can be taken to balance the trade account. But at what level of GDP and standard of living? High, because the nation has woken up to the importance of manufacture or low, because it has not?

The author was chairman of the Lords Select Committee on Overseas Trade.

Letters to the Editor

International Tin Council

From Mr P Farthing

Sir,—Dr Herman's article (November 5) on the role of the International Tin Council in the present crisis is, as usual, topical and stimulating.

If I may, however, I should like to dispell the impression given by his final paragraphs that creditors of the ITC will be unable to resort to the council's property for the purpose of obtaining satisfaction of arbitration awards which may well be made in their favour.

Dr Herman refers to Article 8 of the headquarters agreement between the British Government and the council, drawing attention to the fact that the agreement provides that the property and assets of the council shall be immune from judicial constraint. From this he concludes that the assets of the council may not be taken in enforcement of arbitration awards.

In this, I think, he may be mistaken, because he does not appear to have taken into account the International Tin Council (Immunities and Privileges) Order 1972 made pursuant to powers granted by the International Organisations Act 1968.

This order incorporates into our domestic law some of the provisions of the headquarters agreement, including the conferring of corporate personality upon the council, and the granting of a degree of immunity from suit. Under the Order of 1972 the council has a general immunity from suit except for the *purpose* of enforcing arbitration awards.

But I do not believe that the value of this *provision* is reduced in the way in which Dr Herman suggests. The provision of Article 8 of the headquarters agreement rendering the property and assets of the council immune from judicial constraint does not appear in the Immunity Order of 1972, and therefore, in my opinion, is not part of our domestic law.

I therefore believe that all the free and available assets of the council will be available to its creditors to enforce any arbitration award which they may obtain.

Nevertheless, one must hope that the meeting of tha council will lead to a resolution of the present crisis and the payment in full of tha council's creditors.

No doubt the meeting will also wish to consider whether, or how, the council is to operate in the future. I would suggest that it is time that this anomalous immunity from suit were removed from a body which it is no more nor less than a market trader, and which should be bound by the same legal obligations as any other person who makes a contract in a commodity market. If the sovereign states which are members of the *council* sought to support the price of tin by buying it in London in their own names, they would not be immune from suit in our courts on the contracts which they made. Just because they choose to achieve the same objective through the medium of the council there is no reason why they should not be subject to the same legal jurisdiction as if they had traded personally.

Peter J. Farthing.
Clyde and Co,
30 Mincing Lane, EC3.

Accounting for pit closures

From Dr A. Berry

Sir, — Mr Butler of the National Coal Board, following *upon the Morpeth et al inquiry,* continues to claim (October 31) that the original article in Accountancy contained big misunderstandings, inaccuracies and misconceptions.

In that article, inter alia, it was argued that much of the public debate and justification for pit closures was based upon accounting notions of profit and loss. Witness to this is a programme to reduce NCB capacity to enable it to reach break-even in a couple of years. So not just public debate but also *public policy is based* upon accounting notions.

The original accountancy article did not claim that the NCB only relied upon the pit statement of profit and loss (the F23) in closure decision. But it did demonstrate the technical accounting problems of that statement and does demonstrate that accounting notions of profit and loss are not wholly relevant to pit closure, not only because of the cost measurement issues but also because of the problem of attaching an appropriate value to the pit revenues.

Robinson of London Business School has shown how an avoidable cost approach would lead to different conclusions on NCB capacity and Glyn of Oxford has shown that a social cost benefit analysis would lead to different conclusions again. Mr Butler, along with the Morpeth group, seems not to want to engage seriously with the problem created by the government requirement for accounting notions of break-even.

The Morpeth group claims to be an independent committee of inquiry, yet its report is published by and indeed is the property of the NCB. That group was commissioned as consul*tants* by the NCB. *Thus it was* not allowed to discuss terms of reference, methods of study or its analysis of my research and publications. Indeed, Professor Stamp claimed that "they were too busy to go into libraries and dig these things out." Hence it seems to have relied upon what it could glean from the NCB, which I am sure would have given it the same courteous assistance which was afforded to me and my colleagues.

Although any inquiry by the *Morpeth group would certainly* be helpful to the development of accounting practices in the NCB it is a pity that this group's focus upon a narrow misunderstanding *of* the original accountancy article does limit its contribution to public debate.

(Dr) Anthony J. Berry.
Manchester Business School,
Booth Street West,
Manchester.

IoD and Serps

From Mr M. Ballisat

Sir,—You report (October 31) that Sir John Hoskyns, director-general of the Institute of Directors, states that continuing Serps implies first a reduced scope for personal pen*sions* and *second* that the population cannot be entrusted to save to top up their retirement income.

There is already ample scope for topping-up retirement income in a tax efficient manner and this argument just does not stand up to examination.

A much more serious consequence of abolishing Serps would be the loss of entitlement to retirement income as a consequence of periods of unemployment. At present, the state earnings related pension is calculated on the best 20 years' revalued earnings. Thus, periods of unemployment are unlikely to reduce to any great extent the retirement benefit. A similar protection is included in the basic state pension as a "contribution credit" is given during unemployment.

Sir John cannot assume that everyone will find continuous employment up to pension age or that the income from employment will always allow retirement savings to be made. No occupational scheme can provide benefits during periods of unemployment and with the necessity for increased job mobility in the private sector, care needs to be taken not to abolish a retirement system just at the time when many of its advantages will be needed.

M. T. Ballisat.
25 Hillgate Street, W8.

Firing the chief executive

From Mr P. O'Shea,

Sir,—In the conclusion of the Lex column on October 31 we read that "Many of Britain's ... companies operate with a chairman/chief executive officer but there are strong arguments for retaining a division between the two. The chairman's job is, among other things, to fire an inadequate chief executive."

There may be a case for a division between the two but not because it is the chairman's job to fire a *chief executive.* They are both appointed by a resolution of the board of directors and only that board can fire one or both of them. By definition there is no one above the chief executive officer in the chain of command except the directors as a board. The chairman's job is to chair meetings and really nothing else unless the articles and/or the board say otherwise.

P. J. Pace O'Shea,
13 Westchester Drive, NW4.

Exports of weapons

From Mr M. Peacock

Sir, — Having just read Bridget Bloom's article on "How GEC was put on the spot" (October 22) I saw no reference in it to the possible export opportunities of any of weapon systems discussed. As a civil servant on secondment from industry in the early 1980s who was once very much involved with Marconi's two torpedo programmes, Stingray and Spearfish, the case for a home-grown industry rested largely on the longer term ability to exploit the advanced technology in overseas markets. If such a situation is still relevant then maybe even the £5bn cost quoted by Mr Peter Levene is not quite so horrendous as it sounds. In only rare instances have British weapons systems been developed with non-UK customers in mind and it is to GEC's credit that back in the mid to late 1970s it recognised this fault in the MoD's thinking process. Without there being export possibilities I don't believe GEC or any other company can undertake any major weapon development and earn a reasonable return except, of course, at the taxpayers' expense.

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FINANCIAL TIMES

Wednesday November 6 1985

Chris Sherwell reports on disarray in Manila after the call for a snap presidential poll

Marcos makes himself an election issue

PRESIDENT Ferdinand Marcos's declaration this week that he wants a snap presidential election in the Philippines has thrown an already confused domestic political scene into disarray.

Mr Marcos said he intended to ask parliament to call a poll for January 17. An election, he said, would "erase doubts" about his government's popularity. "We need a snap election to convince the world that our programme is supported by the people."

His proposal must still be confirmed by the ruling New Society movement, perhaps this weekend. In August, the party discarded the idea of a November poll after successfully crushing an opposition impeachment bill.

This time, US pressure on Mr Marcos to renew his mandate appears to have prompted the election plan, although Washington has constantly denied pushing him in that direction. Diplomats are also treating this week's proposal more seriously, if only because Mr Marcos, who is 68 and has held power for 20 years, uncharacteristically ventured out of the presidential palace to launch his campaign on Monday.

Mr Marcos's current six-year term is not due to expire until 1987 and most people feel he would not go ahead with an election without being sure of winning it. He has all the advantages of an incumbent, with easy access to the local media and greater resources than his opponents. For two years, the fractious opposition has failed to agree on a single candidate who could successfully challenge him.

Analysts agree, however, that if opposition differences were put aside in support of Mrs Cory Aquino, the stage would be set for a dramatic electoral showdown.

Mrs Aquino is the widow of Mr Benigno Aquino, the opposition leader whose assassination in August 1983 contributed crucially to the present crisis in the Philippines. Diplomats see her as a credible candidate, despite her inexperience. Victory, they say, would be little short of poetic.

Nevertheless, an election will solve little if it is called on Mr Marcos's terms. Questions have already arisen about the legitimacy of his latest move, since technically he should resign office first, something he has plainly ruled out.

The dilemma for the opposition is acute. If Mr Marcos is contriving a set of circumstances not envisaged by the constitution, which provides for presidential and vice-presidential elections in the event of his death, incapacity or resignation, a positive response from the opposition to his political challenge is likely to render any legal problem irrelevant.

However, to boycott an election would leave the way open for Mr Marcos to fight alone or simply call the whole affair off, telling Washington that at least he tried. Either way, the opposition is embarrassed and the scope for US pressure is likely to be reduced.

It remains a delicate question whether an election, if it went ahead, would actually placate US opinion. Initially, that would depend on whether the poll is free and fair. The last general election in May 1984 was freer and fairer than most in the Philippines, but hardly a model of virtue. The US, for its part, has already indicated that it will only observe and not supervise a presidential poll.

The biggest questions for everybody, however, are whether an early election is likely to counter the intensifying guerrilla insurgency throughout the country or put the persistently wayward economy back on the rails. Diplomats and bankers suggest the answers at present are both negative, although Mr Marcos has already advertised the proposed election as a key to solving the two problems.

The Communist-inspired New People's Army, its strength now put above 12,000 armed men, can be expected to use an election campaign as a chance to illustrate its strength in rural and urban areas.

Its recent military successes have demonstrated its growing influence and added to the rising anxiety in Washington, which sees a threat to the strategically important air and naval bases in the Philippines and does not want "another Iran."

On the economic front, the failure of Mr Marcos fully to implement an IMF-inspired reform programme has endangered the inflow of fresh foreign exchange under a loan and rescheduling package for its $25.6bn external debt. Only last month, the US supported the withholding of an instalment on the SDR 615m ($658m) IMF standby credit, and that in turn will affect disbursement of a $925m commercial loan from the Philippines' creditor banks.

At issue is Mr Marcos's apparent refusal to make real reforms in the coconut and sugar industries – both dominated by his associates – and the Government's budget deficit, which has exceeded its limits because of falling revenues and higher expenditures. A presidential elections campaign can be expected to swell that deficit still further, delaying even longer a return to economic order.

If that means continued negative growth, further unemployment and hardship and greater popular disaffection, those are portents for the future. For Mr Marcos, the immediate issue is power and how to retain it. He has successfully wrong-footed his opponents countless times before, and is sustained by a belief in his own leadership. To some, his latest actions suggest that the central issue now is whether he will ever leave office peacefully.

UNIDO, the Philippines' largest opposition party, said yesterday it would seek court action to prevent President Ferdinand Marcos from calling presidential elections in January, Our Foreign Staff writes.

It said such an election would be unconstitutional, since "no snap election can take place unless the president becomes permanently incapacitated, dies, resigns or is removed from office."

However, it became clear yesterday that Mr Marcos himself might be unclear over his election tactics. He said Parliament would be asked to decide whether an election would be held and that the vacant post of vice-president would also be contested.

THE LEX COLUMN

Next best is good enough

The stores sector must be discounting everything short of miracles from its high flyers, for how else can one explain the sour response in yesterday's market to the splendid figures from J. Hepworth?

The sector as a whole has lost none of its appeal as a home for funk money, having climbed back up to its high level relative to the market on the basis of last week's results from Marks and Spencer. But J. Hepworth only had to produce pre-tax profits growing more than twice as fast as Marks – to £20m for the year to August – to see its share price fall 8p to 220p.

What is sauce for the goose is sauce for the gander. The expansion of Next, which has underpinned the 50 per cent compound growth at J. Hepworth in the past four years, has been largely at the expense of Marks – now evidently coming to grips with womens' fashion.

The great achievement of the Next idea was to breathe life into the dead bones of the old Hepworth chain; but now that these stores are down to a mere 19 per cent of the total square footage, this avenue of cheap expansion is all but blocked.

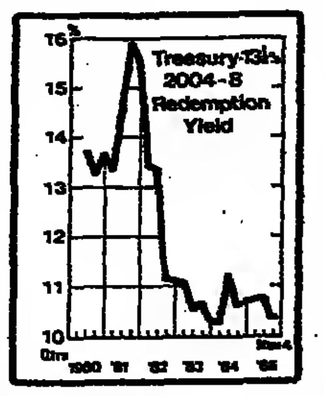
This is reflected as much in the change of corporate name to Next as in the 14-fold increase in last year's interest charge. Equally, expansion into new and risky fields, such as lingerie or hairdressing, will no longer be overwhelmingly financed out of the slew of property disposals that left some £2m in profit below the line even after the launch costs of Next Interiors.

And in the world of middling-to-high fashion, a pre-interest margin of more than last year's 14 per cent will be hard to achieve except through a last spasm of loss-elimination at Hepworth. Competition from Burton and Co will see to that.

Growth at the pre-tax level of 30 per cent or more would be well in hand for the current year; but, beyond that, things do not look so clear.

Property debentures

For the asset-rich end of the property sector, at least, the corporate debenture market has now well and truly re-opened. In the past few months there have been six issues, taking in almost £400m of long-term money at improving terms. Yesterday's 40-year debenture from Land Securities provides a benchmark for the market since the issue has been priced only 40 basis points



above the reference gilt, shown in our chart; a year ago, the difference would have been at least a full point.

It would be hard, of course, to find a better credit than Land, whose total borrowings before the issue were only equal to 18 per cent of net assets. The quality of those assets and the security of the income they generate explain why Land was able to borrow a few points more cheaply than the World Bank, and a full quarter point below yields at which other property issues have lately been priced. Demand for well-secured ultra-long sterling debt is evidently in good shape.

Except in the unlikely circumstance of a prolonged deflation, it also makes eminently good sense for the property companies to be picking up their money in this way, even at double-figure yields. At present discounts, equity issues are deservedly unpopular, while the cost of servicing a dividend on equivalent amounts of equity would probably outstrip that of the bond within the decade.

In any case, Land's balance sheet remains undergeared even by the standards of this now-conservative sector. Having got its feet wet, and tested the market's appetite, Land would probably win friends for its ordinary shares by increasing the size of the issue before too long.

J. Sainsbury

Profits growth at J. Sainsbury is no longer a simple matter of selling more food at higher margins in bigger stores. The food retailers are still doing an admirable job but, to satisfy the stock market, they now need a little help from accountants and associates.

Yesterday's results for the 28 weeks to October 5 were just ahead of most forecasts at £92.4m pre-tax and the share price duly responded with a 9p rise to 364p. But over one third of the 23.2 per cent increase in reported profits arose from the effect of higher capitalised interest (£8m against £4m) and an exceptional burst in the associate contribution.

Not that there is much the matter with the underlying trading performance. Gross margins are healthy, supermarket volume growth was over 9 per cent in the six months and productivity was around 5 per cent higher despite the substantial gap between food prices and wage cost inflation.

Sainsbury's housekeeping has always been strong enough to support a premium rating in the sector, and a p/e in the low twenties – assuming full-year profits of £185m – looks no more exorbitant now than it has ever done. But, with a revitalised Tesco trading on a multiple of only 15, Sainsbury cannot let the grass grow under its feet. Extended opening hours should help the food retailers next year but, with cash still running out of the business, Sainsbury will be relying on the accountants and associates for a while yet.

National Savings

Yesterday's money-supply figures for banking October were presented on the new Mansion House basis and provided an excellent excuse for the Government Broker to take the rest of the year off.

When external and foreign currency finance of the public sector is counted towards PSBR funding, as it is now, the Treasury comes out well ahead of the game. It appears already to have funded £2.5bn of the PSBR outstanding for the rest of the year.

So, on the Government's numbers, there is only about £1¼bn to go and a portion of that should come from National Savings, which, as of Monday, will be offering a glamorous new instrument. The indexed-income bond is an index-linked bond with a new twist. The income is linked to the RPI and the capital is unprotected.

Stockbroking computers were working flat out yesterday to find merits in the new instrument but sadly it looks rather unattractive to anyone who pays income tax. Even for a basic-rate taxpayer the annual net return looks roughly a percentage point below a comparable index-linked. Perhaps the Government Broker should stay in his office after all.

Sig Bettino Craxi

Communists unlikely to help Craxi

By James Buxton in Rome

THE ITALIAN Communist party appeared yesterday to reject the appeal by Mr Bettino Craxi, the Socialist Prime Minister, to co-operate with the Government in obtaining swift parliamentary approval of the 1986 budget.

Mr Alessandro Natta, the Communist party leader, told Parliament his party considered the budget to be part of a whole economic strategy that was against the interests of the working class. He also said the five-party coalition Government, which has been reconstituted after President Francesco Cossiga rejected Mr Craxi's resignation last week, was in itself divided over the budget.

Mr Natta's statement to parliament did not specifically rule out all co-operation, but made it sound as if any large concessioo to the Government would be extremely unlikely.

Mr Craxi made his request for Communist party assistance in his speech to Parliament on Monday, opening the debate that will lead to a vote of confidence in his Government. The vote will probably be held tonight.

The Government is afraid that after the time lost both during the Achille Lauro hijacking and in the political crisis that followed it there is a serious danger that it will not get the budget approved by the deadline of December 31.

That would mean the Government would have to be financed in the early months next year oo a very inflexible, provisional basis.

Mr Craxi evidently hoped he could expect some help on that domestic issue from the leading opposition party, which made a *volte face* during the Achille Lauro affair and supported *him* for his tough line with the US Government over the American role in the crisis.

In practice, much government legislation in Italy is assisted in its passage through Parliament by the tacit help of the Communist party.

IBM to cut computer output at UK European supply base

BY JASON CRISP

INTERNATIONAL BUSINESS Machines, the US computer giant, plans a temporary reduction in production of personal computers at its Greenock plant in Scotland, which supplies all Europe.

The move appears to follow a build-up of stocks and has meant that orders from sub-contractors such as Thorn EMI and AB Electronics have had to be rescheduled. However, IBM said it was a result of the seasonal nature of personal computer sales, which are weakest in the first quarter of the year.

One analyst thought the cut in production was a result of over-optimistic forecasting by IBM. Demand for personal computers in the European market is currently much stronger than the US where growth has slowed dramatically.

IBM typically has about a 35 per cent share of the market in European countries, which is significantly lower than in the US According to Ms Jan Lewis of the Palo Alto Research Group, IBM has a 66 per cent share of sales to large and medium-sized corporations and 30 per cent to small business.

News of IBM's rescheduling of orders coincides with an analysts' meeting at Greenock today which is being attended by senior IBM management from the U.S., including Mr John Akers, president and chief executive officer. This week, IBM cut the price of several of its PCs by an average of 15 per cent throughout Europe.

IBM said the rescheduling of orders affected the early part of 1986 and was a short-term temporary measure, but would not say how long it was expected to last. The company expected sales of PCs in the first quarter of 1986 to exceed those in the same period this year. It also stated that production for the whole of 1986 would not be materially affected, which would indicate it is a stock problem.

IBM said: "We are not dissatisfied with our inventory position." It added that reports of very high stocks in the US were "grossly misleading," and there was no question of personal computers being shipped from the US to Europe, nor would there be any redundancies at Greenock.

The change in orders will affect AB Electronics and Thorn EMI. Both companies expected to redeploy staff working on IBM PC products to other areas. IBM is AB Electronics' largest single customer.In addition to supplying IBM with printed-circuit boards for the PC, it also sells components.

UK close to securing Malaysian water deal

By Chris Sherwell in Singapore and Christian Tyler in London

BRITAIN appears to be close to clinching a water distribution contract in Malaysia that would rank as one of the most valuable orders ever won by a UK company in south-east Asia.

Biwater, a private specialist engineering company, is negotiating for a share in a huge five-year project costing up to M$1.8bn ($700m).

According to British government officials, Biwater's share of the project could be worth £200m if the negotiations succeed. Other official sources put it as high as £230m to £240m. The company itself would not comment last night.

If the deal goes through, it will be with the help of £60m of UK government aid over four years, itself said to be the largest sum ever allocated for one project from the UK's aid and trade provision. This year's total provision is only £66m.

The Export Credits Guarantee Department, a government agency, is prepared to guarantee repayment of loans of £170m to £180m. A syndicate of banks has been lined up to provide the credit.

Successful completion of the deal would undoubtedly be hailed by British ministers, still smarting over the loss of the Bosporus bridge contract to the Japanese, as evidence of UK competitiveness and a welcome boost for employment.

A letter of intent has already been issued by the Malaysian Government to Biwater and its Malaysian partner, Antah Holdings.

The overall project, made up of 161 separate schemes on the peninsula and islands, will bring pure drinking water to 2m – and eventually 4m – people in even the most remote rural areas. It is part of a planned upgrading of Malaysia's rural infrastructure generally, announced for the period covered by the Fifth Malaysia Plan, 1986-1990.

Speculation has intensified in recent days over whether all of the water contracts will ultimately go to Biwater. Competitors from other countries – France and Japan are mentioned – are believed to be hovering in the wings.

Biwater is a private company with a turnover of £100m a year, based in Dorking, south-west of London. There are 16 companies in the group, six of them outside the UK, specialising in the supply and manufacture of water supply equipment as well as civil engineering.

New monetary policies for France

Continued from Page 1

break down barriers and step up competition on France's highly-regulated capital markets.

From next month, companies will be able to tap the money market directly through issuing US-style commercial paper in minimum batches of FFr 5m ($630,000) or FFr 10m. Additionally, short-term Treasury bonds, which traditionally in France have been issued solely to banks and other financial institutions, will be opened up for subscription by all categories of investor.

Banks have criticised Mr Beregovoy's commercial paper initiative on the grounds that top-class companies will in future have the opportunity of short-circuiting the banking system. However, prime borrowers are already raising funds from French banks at very fine margins because of the general slowdown in corporate lending this year.

Commercial paper issues, which will have maturities of between 10 and 180 days, will bave to be backed to a level of 95 per cent of their value by standby credits from the banks. The Finance Ministry hopes to use the commercial paper market to push French companies into improving the quality and frequency of appearance of their financial accounts.

UK corporate credit demand up sharply

BY ALEXANDER NICOLL IN LONDON

LENDING by banks to British companies and individuals accelerated sharply in October, suggesting the authorities will maintain a cautious stance in setting interest rate policy.

The surge in credit demand contributed to continued strong growth of the sterling M3 measure of money supply, comprising cash and bank deposits, for which the Government last month abandoned its annual target range because of structural changes in the economy.

In contrast, the much narrower Mo aggregate, which has assumed a more important role in policy-making, showed n small drop in the banking month ending in mid-October, and remained well within its target range.

The authorities appear to have interpreted the figures, taken as a whole, as indicating that monetary policy is sufficiently tight, but as offering little scope for near-term substantial cuts in interest rates.

Mr Nigel Lawson, the Chancellor of the Exchequer, said in his Mansion House speech to bankers last month that monetary policy would be determined by the performance of the Mo aggregate and of sterling on the foreign exchange markets. Since then, the pound has been relatively stable on a trade-weighted basis.

Mo, mostly consisting of notes and coins in circulation, fell by an estimated ¼ per cent in the month to mid-October to register a 1½ per cent annualised drop in the past three months. The move took it close to the bottom of its annual target range.

The broad sterling M3 aggregate, still viewed by London markets and the Bank of England as important even though distortions have pushed it far above its former target range, rose ¾ per cent in October, putting its annualised growth rate during the past three months at 19½ per cent.

There was disappointment in London markets at the £2.1bn rise in bank lending, well above September's low £1bn increase and giving an average rise of £1.6bo during the past six months.

Although the monetary authorities could be expected to view with concern a series of lending increases at October's pace, government officials appear to feel the October figures by themselves provide little cause for worry.'

The rise in bank lending was offset by a small £200m gain in the public-sector borrowing requirement. Data on government debt sales showed that the government more than funded the public-sector borrowing requirement during the month, making up for previous months when the requirement was under funded.

See Lex

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	21	70	Dubrovnik	F	16	61	Malaga	F	25	77	Salzburg	C	13	55
Akrotiri	S	24	75	Faro	C	22	72	Malta	S	23	73	Seoul	S	16	61
Algiers	S	27	81	Florence	R	11	52	Manila	S	32	90	Singapore	F	30	86
Amsterdam	R	13	55	Frankfurt	C	14	57	Miami	S	28	82	Stockholm	C	7	45
Athens	S	23	73	Funchal	S	25	77	Milan	C	11	52	Strasbourg	C	17	63
Bahrain	S	28	82	Geneva	C	16	61	Moscow	C	2	36	Sydney	F	25	77
Bangkok	S	32	90	Gibraltar	C	20	68	Munich	S	15	59	Taipei	S	30	86
Barcelona	F	23	73	Guernsey	C	12	54	Nairobi	—	—	—	Tangier	C	19	66
Beirut	C	22	72	Helsinki	C	5	41	Naples	—	—	—	Tehran	—	—	—
Belgrade	F	12	54	H. Kong	S	26	79	New Delhi	S	26	79	Tel Aviv	S	28	82
Berlin	C	10	50	Innsbruck	F	14	57	New York	R	13	55	Tenerife	—	—	—
Biarritz	F	22	72	Inverness	C	5	41	Nice	C	16	61	Tokyo	C	20	68
Blackpool	S	8	46	Istanbul	R	18	64	Oporto	R	16	61	Toronto	R	9	48
Bordeaux	R	16	61	Jersey	F	12	54	Oslo	C	4	39	Tunis	F	24	75
Brussels	R	14	57	Jo'burg	S	28	82	Paris	R	14	57	Valencia	F	24	75
Budapest	C	10	50	Las Palmas	S	25	77	Prague	F	9	48	Venice	C	9	48
B. Aires	S	25	77	Lima	S	21	70	Reykjavik	Sn	-4	25	Vienna	F	9	48
Cairo	S	26	79	Lisbon	C	21	70	Rio de J'o	R	23	73	Warsaw	S	10	50
Cape Town	F	20	68	Locarno	C	9	48	Rome	C	18	64	Zurich	C	15	59
Caracas	C	28	82	London	S	13	56								
Casablanca	F	23	73	Los Angeles	C	27	81								
Copenhagen	R	7	45	Luxembourg	S	13	55								
Corfu	S	19	66	Madrid	C	17	63								
Dublin	F	7	45	Majorca	S	24	75								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Telecom turns to IBM

Continued from Page 1

the year" and reflected BT's confidence in ICL.

He said it would help to increase the value of ICL's UK mainframe computer orders this year by 35 per cent over last year, when orders totalled more than £200m.

The ICL equipment will be used in six of the 24 districts into which BT has recently divided its nationwide operations. The seventh Series 39 will be used for development work.

The contracts were awarded on a single-tender basis after intensive lobbying by ICL to win part of the CSS contracts. BT said it might buy further terminals from ICL but would not order any more of its mainframe computers for CSS.

BT has so far installed nine IBM computers, the first of them last summer. ICL is due to deliver its first Series 39 machine early next year.

There had been strong pressures in BT to standardise all its computers on IBM and IBM-compatible products. Last year, BT and IBM proposed jointly to launch an electronic informatioo network in the UK, but the plan was vetoed by the British Government.

The CSS programme is intended to replace most of BT's existing computer systems.

Wide differences for summit talks

Continued from Page 1

Mr Yurchenko was not acting under duress.

The Soviet authorities had given assurances that Mr Yurchenko would not try to leave the US covertly before the interview, the State Department said. The Soviet authorities understood that Washington would regard it as "a very serious matter" were he to attempt to do so.

The US, in any case, had taken "legal and security precautions" to ensure that he could not leave without US permission, the State Department said. He did not enjoy diplomatic immunity, it added.

SECTION III

FINANCIAL TIMES SURVEY

Singapore

The Government is working out measures to aid the economy now that the halcyon days of double digit growth are over. More realistic targets should help to restore confidence in Prime Minister Lee's long-established order

Tougher times face the financial markets and Singaporeans where Prime Minister Lee has to deal with stop signals on growth

Economic challenges ahead

By ALAIN CASS, Asia Editor

THE FUTURE was rosier. The present used to be easier. Singapore, mighty city-state, never had to look over its shoulder. Chinese enterprise, determination and the (very) firm hand of Lee Kuan Yaw saw to that.

But that was last year, and virtually every year before that since 1959, when the People's Action Party (PAP) burst on the scene with its solemn, often ruthless, vitality to turn a provincial, oriental town into that peculiarly Asian phenomenon, the "economic miracle."

Things are different today. The future looks a darker shade of grey and the present *is hard going.* Government ministers talk of e deeper than usual recession, rather than an economic crisis. This is probably not an understatement, since inflation is less than 3 per cent, the currency is strong, incomes are high, there is no unemployment and no external threat to the country's integrity.

But, this cannot conceal the uncomfortable fact that, for the first time, Singapore's economy will stagnate this year and may even experience negative growth after years of outperforming much of the rest of the world.

The deliberate increase in wages to transform Singapore from an Asian sweatshop to a *high-tech landmark* has taken its toll and it looks as if the country is pricing itself out of world markets — at least for the time being.

The downturn has been sudden and savage. The construction sector, which seemed unstoppable not long ago, is slipping into a coma. Tens of thousands of foreign workers have been sent home. Factories are working shorter weeks, the commanding heights of the economy—shipping, oil refining, electronics—are in trouble and already more companies have gone to the wall in 1985 than last year. Investment —*the lifeblood of the economy* —is down 30 per cent on last year.

The key to Singapore's present difficulties lie in the fact that total labour costs increased 10.1 per cent between 1979 and 1984 while productivity rose by only 4.6 per cent during the same period. "There is," as one head of mission puts it "a widespread realisation that this place has become uneconomic."

The optimists say that, as soon as the U.S. economy picks up and Singapore makes the right tactical changes to improve its competitiveness, the economy will revive and the country will be back on its Olympian path.

Others, mostly, it should be said, foreigners, are not so sure. They look at the fact that Singapore is losing the battle to remain competitive to other newly industrialised countries (nics). They foresee an ageing population, which will peak in the year 2000 and decline thereafter. They watch as tha outside world becomes more hostile and teeters on the edge of a trade war, as protectionist sentiment in Europe and the U.S. *gathers pace.* And they wonder, as one observer puts it, whether fundamental changes in the environment in which Singapore operates are not necessary.

These doubts are underlined by the *fact* that, for the *first* time, the ruling party no longer seems invulnerable. The 13 per cent swing against the PAP in the December 1984 elections, resulting in the victory of two opposition candidates was a real shock to the system. Shortly afterwards, Mr Lee was heard to say that, if this is the way Singapore's electorate chose to exercise its democratic prerogative, then he may have to review the system.

Younger and more sensitive heads quickly pointed out that Mr Lee's remarks did not sound a death knell for democracy in Singapore, but merely expressed the hope that the electorate would be a bit more discriminating in future.

Nevertheless, if the 1984 result represents a trend it poses a major challenge to a party secure in its own well-tested, almost arrogant sense of superiority. All the more so since the combined opposition poll of over 33 per cent of votes *cast was not* confined to one or two constituencies but reflected as Mr Goh Chok Tong, the first deputy prime minister and Mr Lee's likely successor, conceded a widespread feeling of discontent with the status quo.

Superiority

The Government admits that one of the major factors which led to the election upset was Singapore's paternalistic—some would say intrusive—style of government.

"Singapore is a society where cleanliness, morality and the disciplines of e mandarinate are prized above all other things. There are those who like it that way and they will, no doubt, continue to vote for the PAP. There are many others who do not, and who increasingly *resent* the *Government's* excess of zeal in its concern to create the perfect society.

"What we have to do," volunteered Mr Goh, "is listen more carefully to what people are saying, explain our policies more thoroughly and, where necessary, make adjustments."

The election results and the economic downturn present the PAP with a double challenge. The established order is under pressure and, as it is well aware, new responses need to be found.

Faced with this challenge the *government* could rest on its achievements and hope the ship rights itself in due course. There are, after all, plenty of achievements. Mr Lee's Singapore is nothing if not a success story.

Singapore has trebled its gross national product in the past decade. By 1981 it had overtaken Greece. By 1983 it had overtaken Spain, and last year it began to leave Israel behind.

It has achieved this without, as Singapore's second deputy prime minister Mr S. Rajaratnam, puts it, "turning independence into a scourge." By and large *the government* has preserved racial harmony in a multi-racial society. The state has rehoused over 80 per cent of the population from Kampongs (villages) or slums into modern flats.

It has one of the most successful airlines in the world, businessmen who can compete on equal terms with the best, modern architecture, which is occasionally dazzling and an educational system which, though excessively zealous in parts, produces some of the best minds in Asia. Above all, Singapore *works.*

But, as Brigadier General Lee Hsien Loong, the prime minister's son and a likely candidate for his job in a few years' time concedes: "Gratitude is not a basis for legitimacy. Also success raises expectations which, in hard times, no government and economy can possibly meet."

Brigadier Lee and others of his generation seem to recognise that some things must change if what Singapore has achieved so far is to survive and prosper. The question is what, and how deep should that change be?

One change which will come by itself is the departure of the present leadership. Mr Lee senior has indicated he will step down from the premiership when he is 65 which is three years' time. A new generation of leaders, carefully groomed and, in some cases, propelled into high office at breakneck speed is already in place.

Some of them seem to concede that the time may have come to loosen up. They sense that the "state-knows-best" attitude—both in the political and the economic sphere—may have outrun its course as an infallible prescription for government.

Whether this heralds changes in substance as opposed to degree remains to be seen. On the political front probably not. The new generation of leaders have *inherited* their predecessors' zeal for a robust morality, patriotism, incorruptibility and a respect for hierarchy and hard work.

Little Singapore sees itself awash in a hostile sea and the prime minister is said to take an increasingly apocalyptic of the world so this is no time for idle concessions to liberalism.

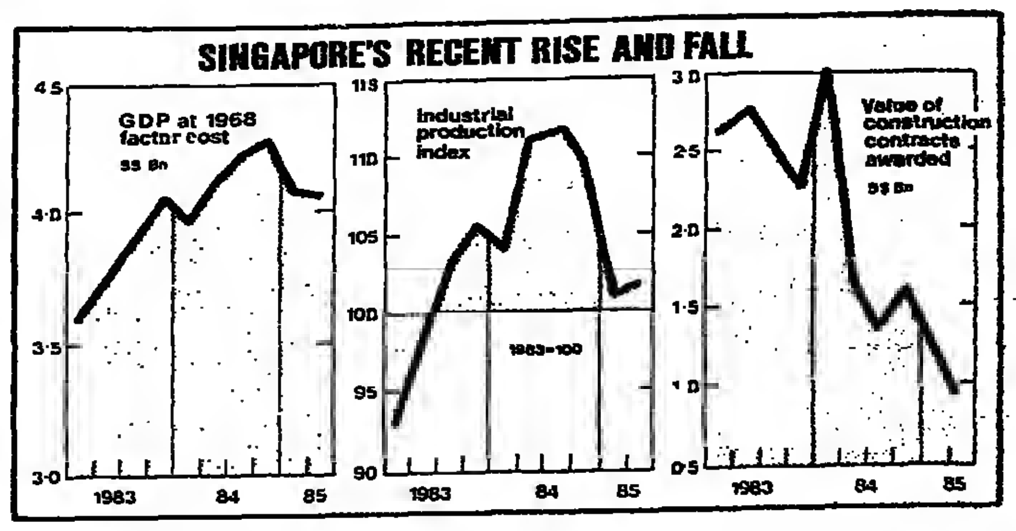
In the economic field, how-

(CONTINUED ON PAGE TWO)

The year the miracle failed to work

Economy

KIERAN COOKE



FOR YEARS, Singapore has felt isolated from the many economic vicissitudes visited on other countries. As others floundered, it progressed. Dubbed a modern day economic miracle, Singapore adopted an almost arrogant faith in its own invulnerability as the economy expanded and an ever greater level of affluence was attained.

But in 1985, the bluster suddenly disappeared. Singapore, said the deputy prime minister, Mr Goh Chok Tong, was in a state of economic crisis.

Just how deep and how prolonged that crisis will be—or if in fact there is a crisis—is still difficult to gauge. Alarm has revolved round a government forecast that this year, for the first time since self-rule began more than 25 years ago, Singapore will have zero and possibly negative economic growth.

The news was a shock to a country which through the 'seventies had experienced many years of double digit growth. In 1983, overall growth went up by 7.9 per cent, last year it went up by 8.2 per cent. Most feel it will be some time, if ever, before such figures are achieved again.

Singapore is acutely sensitive to external economic factors and the general downturn in the growth of world trade over the last 12 months has done a lot of damage. In particular, declining growth in demand in the United States—which over the past two years has supplanted Malaysia as Singapore's biggest export market—has had a severe impact on the economy.

In 1983 exports to the U.S. led by electronics equipment and other manufactured goods, went up by 53 per cent. Last year they rose by 25 per cent, worth S$10.29bn, while total exports went up 11 per cent, worth S$51bn. Growth in exports to the U.S. this year is unlikely to exceed 10 per cent while overall export growth is expected to be under 3 per cent.

Fall in imports

A drop in imports over recent months narrowed Singapore's trade deficit in August 1985 to S$4.96bn compared to S$6.62bn at the same time last year. However, as nearly 40 per cent of total exports are made up of re-exports, declining imports are hardly a welcome sign—a reflection both of the general trading downturn and the weak prices for commodities shipped through Singapore from Indonesia and Malaysia.

Already many industries have been forced to lay off workers. In his National Day speech the Prime Minister, Lee Kuan Yew, said that in the first half of 1985, 27,800 jobs were lost in the construction sector, 11,200 in manufacturing, shipyards had lost 4,100 jobs while textile and electronics had together lost just under 5,000 jobs.

Such labour reductions, unheard of in previous years, have continued. Officially declared bankruptcies rose by 20 per cent in the first eight months of 1985 while new company registrations have fallen by 50 per cent.

The so-called engines of economic growth in past years, oil refining and shipbuilding, have been particularly badly hit. Downturn in oil demand in Japan has been one reason for the refining slowdown in Singapore, Saudia Arabia and Indonesia.

In the first six months of 1985 the republic's refineries, which together constitute the third largest refining centre in the world, have been operating at only about 55 per cent of their installed capacity.

Singapore's shipbuilding and repair industry has suffered from the worldwide shipping slump and few see hope of any permanent recovery. Forecasts say that before any profitability can be achieved, up to 40 per cent of deck capacity will have to be closed, with the loss of a substantial amount of relatively recent investment.

Rig building and design has come to an almost complete standstill as exploration activities generally have dropped off and as Singapore's importance as a servicing centre for the oil industry in neighbouring Indonesia has declined.

Though work on a S$5bn mass transit system is in full swing, the construction industry has gone into a deep slump. In the second quarter of 1985, construction activity declined by 15 per cent, compared with an 18 per cent growth in the same period last year.

Construction of government financed public housing has peaked and with few large private projects in the pipeline, the outlook is bleak. The property market, long the favoured investment area of local businessmen has slumped and there is little belief in an upturn in the near or even distant future.

Tourism, which contributes 16 per cent of foreign exchange earnings and 6 per cent of GDP, is an important ingredient in Singapore's economic health. But after a 5 per cent growth in tourism arrivals last year reaching nearly three million, there has been a slowdown in 1985: in the second quarter of the year total tourists arrivals went down by 0.6 per cent.

While hotels and shops have been forced to cut their rates and their profit margins substantially, high prices alone are not responsible for the drop off in the tourist industry. More disturbingly there is evidence that Singapore's attractions are diminishing: for the most part old Singapore has been knocked down.

Tourists complain it is now a duplicate of most other modern cities around the world. Government efforts to build "theme porks" and hold regular festival extravaganza are unlikely to have a great deal of impact on arrivals.

Affluence

Singapore's growth as a financial and business centre has not been up to earlier expectations and the economic downturn has had its effects. Value added by the financial and business services sector registered an annual growth rate of 2.3 per cent in the third quarter of 1985 compared to an 8.2 per cent growth in the same period last year.

But in the midst of all this gloom and doom, Singapore hardly has the look of a country in crisis. Its port, the third busiest in the world, is still crammed with ships. Booking is essential at the more pricey restaurants.

Immaculately preened and affluent looking youngsters and yuppies parade down Orchard Road, the main shopping thoroughfare. While the Singapore dollar has been allowed to slide in value against most leading currencies, the Government moved decisively late in the year to counteract downward speculation on its value. Traders got badly burnt as the monetary authority bought in large amounts of its own currency: any devaluation is firmly ruled out.

Singapore now has a per capita income well in excess of U.S.$6,000 per year — higher than Spain or Greece and on par with Italy. Its affluence stands in stark contrast to its neighbouring Asean countries, its problems seem minute by comparison.

Singapore has total reserves of U.S.$10bn. Unofficially, the figure is said to be considerably higher. It has no debts, a highly developed infrastructure, an educated workforce and a relatively quiescent electorate.

While many small businesses have been hit, the crisis is still largely at the theoretical stage for most Singaporeans. Foreign workers have cushioned the worst effects of the downturn: so far this year well over 50,000 Malaysians, Sri Lankans, Thais, Filipinos and to a lesser extent South Koreans have been sent home.

"We (Singaporeans) are nowhere near having an unemployment problem in Singapore," says Mr Daniel Selvaretnam of the Singapore Economic Development Board. But gradually, Singaporeasn themselves are likely to feel the pinch of the new economic realities.

The government, which has exercised an overwhelming influence on both economic and political development, has already served notice that its policy of encouraging high wages rewards is under review. The Prime Minister argues that Singapore is pricing itself out of business: in recent years wages have been going up by 10 per cent a year and now are almost twice the level of those in Hong Kong, a key competitor, set for a 4.5 per cent overall economic growth this year.

Now is the time, it is argued, for a more flexible, pragmatic approach to wages. "We should not force wages down. What we need is wage restraint or a pause in wage increases," says Mr Lee. In future, the influence of the National Wages Council, which has recommended across the board annual wage increases, will diminish.

While talk of wage restraint is unlikely to bring Singaporeans onto the streets, it does cause alarm. At the moment, the Government is putting together a new economic plan: a special economic committee chaired by minister of trade and industry defence, Brigadier-General Lee Hsien Loong, is due to make its recommendations before the end of the year.

The Government is seriously concerned about a downturn in new investment, especially from overseas. New incentives, including a drop in corporation tax, are likely to be announced. In the first eight months of 1985 total new investment was down by 30 per cent on the same period in 1984, at S$800m. Japanese and EEC investment dropped particularly sharply resulting, says the Government, in an overdependence on the U.S.

The Government plans to give more incentive and direction to the so-called sunrise industries which it is hoped will usher in a new period of economic growth — biotech, genetic engineering, medical supplies.

"Unless companies can operate more profitably in Singapore than in our competitor countries, particularly the other newly industrialising countries, existing companies will be forced to relocate and the new high technology companies that we desire to have will not come here," a report of the economic committee says.

More cash is also likely to be pumped into the economy: the Government has ample resources, especially through the central provident fund—a mandatory retirement savings scheme to which employees and employers each contribute 25 per cent of gross pay. But will these measures be enough? Singapore certainly still has a lot going for it.

It has lost none of the geographical advantages from the days when Raffles first stepped ashore in 1819. It is a vital entrepot, perched on one of the world's busiest shipping lanes.

Servicing centre

It has further potential to develop as a major servicing centre of the ASEAN countries, and to play a pivotal role in the development of a region seen as one of the galvanising forces of world trade over the next ten years.

Generally, it has laid the foundations for future growth: Singapore's very size makes it easily manouevrable, able to adjust quickly to the increasingly volatile patterns of world trade and of the global economy.

"Now the talk is all of problems. But we could be having a completely different conversation in two years time," one analyst said. But there are uncertainties. Serious problems could arise if investment does not pick up.

Local companies often seem unwilling to put money into the domestic economy, even when they are holding fat reserves. The younger generation of Singaporean businessmen seem more intent in playing the markets than sinking their money in new ventures. Much depends on the success of new product lines.

Many feel that Singaporeans have become too pampered by a government that has supervised the remarkable progress achieved. "There is," said one banker, "a remarkable insularity, a lack of initiative, a lack of true entreprenurial zeal."

Lee Kuan Yew is a man rarely stuck for an analogy. In a recent speech he compared the present state of Singapore to mountain climbing. The higher you go, the more strenuous but also the more exhilarating things become. In 1985, the Singapore economy also found itself badly out of breath, rather fat and flabby and not entirely sure of the right direction.

Challenges ahead

(CONTINUED FROM PAGE ONE)

ever, the case for loosening goveroment controls and allowing greater play to market forces is gaining ground and some substantial changes are likely before the year is out.

The special committee chaired by Brigadier-General Lee Hsien Loong has been asked to make recommendations to the government aimed at aiding the economic recovery and these are likely to include some important new measures.

What is at stake is Singapore's ability to set itself back on a path to becoming a service-centre by using some of its undoubted advantages over its neighbours in Asia.

New doors will have to be opened such as trade with China, especially since neighbours like Malaysia and Indonesia have embarked on direct trade with the People's Republic, cutting out Singapore's traditional role as middleman.

The economic commiitee's reforms are likely to include a lowering of corporate taxation in a bid to attract foreign investment, and fatten up bank balances, a more flexible wage bargaining system, less government interference in setting prices and a freer use of funds to stimulate growth. Nearly 40 per cent of Singapore's gross national product is tied up in savings. With foreign exchange reserves of around 25bn Singapore dollars this leavea plenty of scope for manoeuvre.

More privatisation of industries is likely and, although thia has not been explicitly stated, less government funding of industry.

The fuodamentals will probably remain untouched, however. The government's commitment to a strong currency which Mr Lee Kuan Yew personally regards as a pillar of the country's image as a stable and sound place to invest seems unshakeable "there is no question of using the exchange rate to bring earnings down," said one minister.

There is unlikely to be, as some have urged, a cut in the contribution by individuals and enterprises to the central provident fund, Singapore's compulsory savings scheme although the capital invested will be put to better use.

This reluctance to use some of the more radical measures available to stimulate exports and bring about an improvement in productivity has already produced some tension between the technocrats in the government and the old-time political leadership. By the time the proposals for change come out in December, however, all differences will be ironed out and the government will present its customary, united face.

Whether all this will be enough to revive the economy or whether more drastic measures will be needed later remains to be seen. The likelihood is that the rosy days of double digit growth are gone for ever. Singapore is a maturing economy which must aet itself more realistic targets.

What is unmistakeable, however, is a willingness in the government to recognise Singapore's problems and to tackle them. And, that is more than can be said for many governments.

PROFILE: LEE HSIEN LOONG

A suitable case of natural selection

LEE KUAN YEW, Singapore's prime minister, believes that the success of a society will depend, in the long run, on the quality of its genes—among other things. This is a belief which is bound to have been reinforced by his own experience and, in particular, the case of his eldest son Lee Hsien Loong, whose meteoric rise to power is due at least as much to his own abilities as to the fact that he is the prime minister's son.

In the few short months since his election to parliament in December 1984, Hsien Loong has enjoyed almost as spectacular a rise as he did in his previous incarnation in Singapore's small but perfectly formed armed forces. There he went from being commanding officer of an artillery battalion to chief of the general staff in the space of four short years.

He is now barely 33 and a junior minister with two important portfolios: defence and trade and industry. More important he has been given the key job of overseeing the work of a specially appointed economic committee to look into Singapore's economic options for the future. The job places Hsien Loong at the eye of the economic storm which has broken over Singapore and therefore also in the centre of the stage.

Inevitably he is being talked of as a candidate for the leadership of the Ruling People's Action Party (PAP) and a future prime minister.

The talk of succession is premature. Apart from the fact that Hsien Loong is so young, the prime minister is likely to remain in control for some years to come. Nevertheless, in the past few months the soldier-turned-politician has been given an unusually high profile in the Singapore press and television and he must be regarded as a legitimate contender for the leadership.

Hsien Loong himself seems unpretentiously aware of his own potential. "If people think I'm fit for the job," he said in an interview, "and I'm in line, I think that's good. If they have doubts about me and I'm still in line then that's a very big problem."

He is anxious to dispel the notion that he is being groomed for the job and that it will, in time, simply fall into his lap. "You cannot," he said, "create a prime minister. He must emerge. He has to prove himself," but he adds with characteristic determination, "he must also want it and he must grasp it."

Few people have accused the Prime Minister of nepotism in promoting his son although most people agree that the pace of Hsien Loong's advancement is extraordinary. "Nevertheless if he's got where he is," said a diplomat, "it's largely due to his own efforts. Of course being the prime minister's son was not exactly a handicap and there is no doubt where the prime minister wants his son to end up in due course. But the son is genuinely capable."

More important, some observers see Hsien Loong as one of the few young politicians in the PAP with a genuine flair for politics. With the exception of the prime minister and a tiny coterie of old-timers Singapore is ruled by technocrats who execute rather than formulate policy, hence the apprehension about what happens when Lee Kuan Yew disappears from the scene along with his political skills.

Master's degree

Hsien Loong is undoubtedly bright. He took a first in mathematics at Cambridge University and later went on to take a master's degree in public administration at Harvard.

He is articulate and appears to have a thorough grasp of the subjects he discusses. Like other PAP leaders he has been coached in the arts of public speaking and debate by imported media specialists from Britain although he remains slightly stiff in public.

Hsien Loong says Singapore must deal with the world "as it is and not as we would like to be." In what some have taken as implied criticism of his father's utopian view of what the island-state could become.

He concedes that the Government has become unpopular. The elections last December when the opposition captured more than 33 per cent of the popular vote, he said, reflected "some discontent, some concern, some unease over policies. . . ."

Although he believes that there is nothing uniquely Singaporean in this he says the Government must work harder at persuading people and must listen to them more carefully.

Lee Hsien Loong, eldest son of Prime Minister Lee: soldier-turned-politician

Despite his differences from the older generation of Singapore's leaders, however—"what is wrong with having fun," he once asked—he shares some of their more paternalistic attitudes. In particular, his father's obsession with natural selection.

Observers say he has become more serious since assuming office though this may be partly due to the fact that he was recently widowed.

Philosophically he seems more committed to open market economic policies than some of Singapore's older leaders and professes to have no ideological preconceptions. He would like to see less government control of the economy and more industries privatised.

Hsien Loong, although professing firm commitment to the idea of one man one vote, sees limits to the degree of democracy that is good for Singapore.

He believes an opposition must be "plausible, reasonable and sensible." The population, he says, must be educated not to vote tactically by which he means against a government as opposed to for the opposition.

What Singapore is looking for, he says, is a system "where grievances can be aired; aspirations brought out and hopes communicated. I believe we've got that." But he concedes that there is also firm control and if the government-controlled Straits Times newspaper does not "take a rabidly anti-government line" that is probably as it should be.

Hsien Loong, is, in many ways, his father's ideal Singaporean: academically successful, rational, morally robust and ambitious. Although he may have to wait until the present second generation leadership has a crack at the top job after the prime minister, his chances of getting there must be better than evens.

Alain Cass

The PAP reaches a crossroads

Politics
ALAIN CASS

EARLIER THIS year Prime Minister Lee Kuan Yew returned from an official visit to Indonesia. When he landed at Singapore's clinically efficient Changi airport he was greeted by hundreds of taxi drivers hooting their horns at him.

The drivers were angry because their customers had deserted them after the Government had doubled taxi fares and, at the same time increased the levy on hire vehicles. Within weeks the Government backtracked and rescinded most of the edict and peace was restored.

There are two significant aspects to this little vignette. The first is that the taxi drivers demonstrated at all and, of all people, against the prime minister who is beginning to acquire mythological status. Opposition in Singapore that is not quietly and sensibly purveyed tends to get hounded, jailed or expelled.

The second intriguing aspect of the event was that the Government backed down. Mr Lee's sense of moral rectitude is legendary and his Government is not known for giving into pressure-least of all noisy, public pressure. So why did it?

The answer lies in last December's elections which marked a turning point in Singapore's political history. For the first time since the ruling People's Action Party came to power in 1959 the opposition gained a major share of the vote.

The PAP's share of the vote fell from 75.5 per cent in 1980 to 62.9 per cent—a swing against the Government of more than 13 per cent. At the same time the main opposition parties captured over 33 per cent of the votes cast. A second MP was elected from the Worker's Party to the 79-seat assembly and, while this hardly constitutes a mortal danger to the PAP, it does, for the first time, seriously dent its aura of invincibility.

It could have been worse. The Workers' Party also polled more than 40 per cent of the vote in four other seats. Considering that most of their candidates and those of the other two serious opposition parties—the Singapore Democratic Party and the Singapore United Front—were inexperienced and, in many cases, mediocre, the PAP must be considered lucky that they contested far fewer than the total number of seats.

However, while Mr Lee bestrides his tiny stage like a colossus and the calibre of the opposition remains poor the chances of a major upset are slim.

Concern

Nevertheless, there is some concern among PAP leaders, especially the younger ones, that the party did get out of touch with its popular base and that a number of the more unpopular measures introduced before the elections might have been withheld if the Government had had its finger on the pulse of popular opinion more firmly.

What seems clear—and this has given the Government some heart—is the most voters voted against the PAP rather than for the Opposition out of a sense of frustration and resentment at the more intrusive aspect of life under the ruling party.

It is too early to say whether Singapore's political awakening is an irreversible trend. Certainly it confirms that the by-election victory in 1981 in the Anson constituency of Mr Ben Jeyaratnam, the first ever dent in the PAP's armour, was no fluke.

The PAP has certainly been sufficiently shaken out of its complacency to take a critical look at itself in the hope of preventing what some senior figures fear could happen which is a freak win by the opposition in response to a deepening economic recession and unpopular government policies.

The PAP has ruled Singapore virtually without constraint for nearly 20 years. But just as 1961 witnessed a basic change in the party because of the split between the communists and their fellow travellers, on the one hand, and the more moderate democratic socialists, on the other, in order to prepare for a more genuinely multi-racial party so 1984 could turn out to be an equally important turning point.

Last December's election results coincided with and gave impetus to an attempt by the old guard in the party to transfer power to their chosen and younger successors.

Mr Lee's determination to push through a self-renewal policy, however necessary, has provoked some dissension within the party. Party veterans who had served the PAP for years were summarily overlooked for higher political service as fresh blood was introduced.

This process, which began as far back as 1972, has been relentless. Young men and women deemed to be suitable are picked, fielded at the general election and, soon after, propelled into high office. Incumbent MPs have been cast aside to make room for the new guard.

In the 1984 general election the PAP fielded 26 first-timers, its biggest ever number of new recruits, among them Brigadier-General Lee Hsien Loong, the prime minister's son. Hsien Loong has since been given three important government posts and is being openly talked about as a future prime minister.

This process of "pruning branches" as first deputy prime minister Goh Chok Tong calls it, has been partly in response to the fact that a new generation of voters whose actions are unpredictable has emerged. These young voters were born after the PAP came to power in 1959 and have grown up without the knowledge or memory of the early political struggles and difficult times. They have, therefore, greater expectations.

In 1984 first time voters aged between 21 and 24 years old numbered 215,000 or 14 per cent of the electorate. The need to meet the aspirations of this rapidly changing political base is one of the biggest challenges facing the PAP in coming years.

Grievances

Since the elections the Government has been anxious to demonstrate its concern for people's grievances. In a typically institutionalised way a "feedback unit" was set up to encourage the public to complain. Local newspapers have been encouraged to print letters attacking the bureaucracy and government policies. Ministers and MPs have been encouraged to "listen to the people."

At a different level, Singapore is pressing ahead with its plans to remould the political system around the fact that the prime minister is close to retirement age. Mr Lee has said he will step down at the age of 65—he is now 62—and that he wants a smooth and orderly succession.

Constitutional amendments are now being framed and will eventually be put to Parliament. These will allow for an elected President with some executive powers, primarily to prevent a future government going on a spending spree which depletes the country's vast reserves which Mr Lee sees as fundamental to the country's external confidence.

The new presidential system will effectively ensure that Mr Lee, like the Chinese leader Deng Xiaoping, retains effective control of the country's major policy decisions when he is elevated to the presidency. This, in itself, is bound to change the balance of power within the Government and, possibly, the nature of democracy in Singapore.

When this happens the major question will be: who succeeds Mr Lee? The front-runner must be the present first deputy prime minister Mr Goh Chok Tong who has hinted that when Mr Lee vacates his present office a new style of leadership, less dogmatic, less paternalistic, may take its place.

This seems doubtful, partly because Mr Lee himself will be still very much a force to be reckoned with and partly because most of his colleagues share his view that Singapore had to remain a morally robust society if it is to survive.

The preferred scenario for the future is that the constitutional changes will be in force within two years and that, shortly before the next General Election—which has to take place by 1989 but which traditionally comes a year earlier—Mr Lee will step down as PAP leader and prime minister and submit himself as Singapore's first elected President.

His son, Lee Hsien Loong, is being increasingly talked of as a future prime minister. But it seems unlikely that he will succeed his father immediately. A more likely bet is Mr Goh or possibly one of his rivals who would lead the PAP into the next election and that Hsien Loong would get his chance sometime after that.

Between now and then, however, the PAP acknowledges that it has to work hard to make up lost ground, let alone reverse a trend which could, if it continues, produce a major upset in the future.

Confidence takes a knock

Manufacturing

KIERAN COOKE

IN LATE 1985 Lamipak Industries, a local Singapore company, was forced to call in the liquidators. Like many other companies around the world the recession had finally caught up. With debts estimated et S$150m, cash flow problems just became too difficult to bear. In Singapore the newe created a smell sensetion. Lamipak, which bas plastic packaging operations in Singapore and several other countries, had been seen as something of a model company, often cited as one of the Republic's most innovative and successful concerns.

Confidence is everything in Singapore and with the not so repotable and the good alike going to the wall, the present downturn has severely shaken faith in the resilience and resourcefulness of the economy. While the construction sector bas taken the brunt in terms of job losses—in the second quarter of 1985 alone more than 43,000 jobs were lost in the industry—manufacturing bas also been hurt and many thousands of jobs lost as output has declined by 8.3 per cent compared with the second quarter of 1984.

The manufacturing sector is looked on as the prime mover of the economy: it contributes about 20 per cent of GDP and more than 50 per cent of foreign exchange earnings. More than 27 per cent of Singapore's 1.2m workforce are employed in manufacturing. Over the last two years growth in the sector has been healthy, if not entirely np to expectations. Last year overall output rose by 9 per cent compared with only 2 per cent in 1983. The electronics industry bas been the star performer. Last year its output expanded by 20 per cent, buoyed by considerable growth in world demand, particularly in the United States.

Almost all the major electronics companies have substantial production facilities in Singapore: the Republic is now frequently referred to as Silicon Islaod. Output has become increasingly diverse and sophisticated. "Singapore now hovers at the bottom end of Silicon Valley, somewhere above Taiwan and South Korea but behind western Europe in terms of electronics know how and technology" said an industry analyst.

But as demand abroad has dropped off, electronics production at home has had to be pbased down. In the second quarter of 1985 output went down by 7.1 per cent compared with the first quarter of the year. More than 8,000 jobs were lost. The industry is now gearing itself up for the move into other areas of higher technology which, it is hoped, will provide salvation in the years ahead. The buzz words and phrases that fall from the lips of Singapore's planners indicate that the future has already arrived: the talk now is of robotics, genetic engineering, artificial intelligence, informatics and bio-technology.

Already, the Government has made substantial investments in e whole range of educational programmes designed to feed these new industries, and the planners are confident that their efforts will be rewarded. "If, out of five eectors we move into, one is a success, then we should be all right," says Prime Minisetr Lee Kuan Yew. But no one expects the electronics industry to bounce back immediately. Meanwhile other major industries such as petrochemicals and shipbuilding have seriously declined.

Until recently both industries provided the main stimulus to Singapore's growth. Last year total trade in mineral fuels was S$30.1bn—down from S$35bn in 1982 but still representing Singapore's second largest trading sector after machinery and transport equipment.

Singapore is now the world's third largest refining centre, with a total installed capacity of 1.1m barrels a day. Shell has almost half the total installed capacity and is a key element in the overall health of the economy. When the company announced in mid-year it was permanently closing one of its four main refining plants, concer was raised ebout the whole future of the refining industry in Singapore.

The refining industry has been hit not only by e decrease in demand, particularly in Japan, for fuel oils but also by the increased eelf sufficiency in refining of producer countries. Singapore has traditionally refined crudes from Saudi Arabia and Indonesia. Large petrochemical complexes in Sandi Arabia are now coming on stream; over the last eighteen months three large refineries have been inaugurated in Indonesia. The result has been a big drop in processing contracts, with overall utilisation of installed capacity dropping down to 55 per cent. Many say further plant closures are inevitable.

But the outlook is not entirely bleak: in the past Singapore's refining industry has shown itself to be remarkably flexible and able to find alternative supply sources and markets. Growth in related areas, such as chemicals and glass manufacture has been encouraging. There has also been a flurry of processing contracts: China and Australia both signed contracts for processing 100,000 b/d till the end of the year. Troubles with Indonesia's refinery start-up programme have resulted in some continued processing of Indonesian crudes in Singapore. Contracts have also been signed with the Malaysian state oil company, Petronas. "The prospects for the industry are gloomy but not calamitous" said an oil executive.

Any bright spots in the shipbuilding and repair industry are difficult to find. Some yards, including a 400,000 dwt repair dock—a joint venture between the Singapore government and the Japanese—have already been closed. It is estimated that about e third of the 20,000 workers in the industry, mostly foreign nationals have lost their jobs.

U.S. consultants commissioned to look et the prospects of Singapore's yards are reported to have recommended a drastic reduction in capacity, including the complete closure of two yards at Keppel Shipyard, 68 per cent government owned.

The government eeems reluctant to take such action: instead it says rationalisation of existing facilities, plus some retrenchments is the answer. The Prime Minister blames both managers and workers for acting irrationally — pressing for higher pay awards as profits have declined in recent years. Mr Lee refuses to countenance the idea that the shipyards are a sunset industry. Harking back to the vision of Raffles he says: "We have the advantage of special location. We are astride one of the major shipping lanes in the world . . . we have the competitive edge."

While Singapore's importance as a shipbuilding centre has declined it has rapidly become a hub of the aerospace industry in the region. More than 20 companies servicing the industry in one way or another now have facilities in the Republic. Again, good local conditions including one of the world's finest airports and a highly skilled workforce, have been Singapore'e main attractions. Nearly 4,500 people are now employed in aerospace and the industry's output last year went up 19 per cent to S$457m.

Allied to the eerospace industry is Singepore's growing importance as e servicing centre and manufacturer of military equipment. It ready services Skyhawk jets and Hercules transport planes. It does similar work on armoured personnel carriers and tanks. Through the state owned Sheng Li company Singapore manufactures machine guns, grenade launchers, a wide range of bombs and ammunition and various other equipment. While no figures are available, it has clearly built itself up into one of the more important exporters of conventional weaponry and is said to be posing increasing challenges to arms suppliers like Israel and Brazil.

Foreign workers feel the pinch

Labour

ALAIN CASS

SINGAPORE MAY be suffering from a number of economic problems but mass unemployment is not one of them.

While thousands of workers have lost their jobs in the recession most of these have come from the vast pool of foreign labour which underpins the economy and which the Government can use conveniently to cushion its own people from the worst effects of a slowdown.

Indeed, while the industrialised West is grappling with the social and political consequences of chronic unemployment, Singapore has been concerned that its workforce may not expand fast enough to keep pace with its economic growth over the next decade.

Professor Saw Swee Hock of the National University of Singapore has projected that the island state's total workforce will grow from 1.12m in 1980 to 1.34m in 1995. At the same time, the percentage of young people joining the labour force has been declining while, with better medical services and rising standards of living, the population as a whole is ageing.

From a position of high unemployment in the 1950s and early 1960s—at its peak in 1962 over 15 per cent of the workforce was out of work—Singapore quickly tackled the problem as growth rates shot into double figures. By 1970 unemployment was reduced to 6 per cent and had been virtually eliminated by the mid-seventies. Today, Singapore employs some 150,000 foreign workers to fill the gap.

Last year, according to the Government, the Employment Service registered 12,258 job seekers against 25,632 vacancies. Of course that was before the present savage recession in which around 50,000 foreign workers have been summarily sent home and a smaller number of Singaporeans have also lost their jobs — however temporarily.

Singapore's economy is historically founded on foreign labour and, for the foreseeable future, this fact may well save the Government from facing the spectre of mass unemployment of its citizens which normally accompanies a prolonged recession.

Singapore has encouraged the admission of foreign workers into the island state for three reasons over the past two decades. The first is simply that many Singaporeans simply will not do some of the menial, production and domestic jobs which have to be done.

The effect of high growth rates, of the "economic miracle," has been to raise expectations to a level where, for most Singaporeans, being a maid or a building worker is virtually unthinkable. Besides which, the country's predominantly Chinese population regards making money by going into business as the only honourable occupation.

The second reason for allowing a controlled inflow of foreigners is to "spur" local workers to do better. "There is nothing like the bitter, real-life experience of having to hunt for a job," Mr Goh Chok Tong, the first deputy prime minister says, echoing words which would have done Mrs Thatcher proud. "And finding it difficult to get one to make Singaporeans take seriously the call to increase productivity." The Government regards this imperative as even more valid as wages and productivity grow further apart.

The third reason—and this applies to professional classes and the highly skilled—is to improve the country's permanent pool of expertise. Such immigrants are encouraged to make their home in Singapore and, in time, may even be offered citizenship rights.

Against that, it should be said, the restrictions placed on unskilled workers are severe and, in some cases, demeaning. The Government's policy, however, is to phase out the country's dependance on unskilled foreign workers by the end of the decade. By that time the Government hopes that automation will have replaced most routine production jobs and that the island state's basic infrastructure will be complete.

Many, however, doubt that this utopian vision of a society characterised by skilled and professional workers is a realistic one and believe that Singapore will continue to need low-level foreign workers for some time to come.

This view is underlined by the fact that, although Singapore has made great strides in developing the technical and professional expertise of its citizens, many are still in relatively unskilled jobs. If they are to move up then somebody will have to take their place.

Up to 40 per cent of Singaporeans are in production jobs and out of those around 90 per cent would be unskilled. By comparison to countries with similar per capita incomes such as Spain or Brazil this is still far from impressive.

Recent studies have also shown that foreign workers tend to be better educated than their Singaporean counterparts despite the country's vast efforts in this direction.

Economic restructuring in Singapore means a shift away from the unskilled and towards the skilled and highly qualified professional, technical and managerial workers. This applies to both foreign and local labour.

In the view, therefore, of some observers the present round of bloodletting may not be a bad thing for Singapore, where the economy has been stuck in the middle-technology groove for too long.

So far this year well over 50,000 Malaysians, Sri Lankans, Filipinos and South Koreans have been sent home. The labour force has been reduced in those sectors which have either become uncompetitive because of Singapore's high wages policy (manufacturing); have fallen foul of the local slump (construction); or are suffering from the slowdown in external demand (electronics).

The Government is fortunate, in this respect, in having a controlled union sector which, if anything, appears to be getting less militant. There is widespread concern that membership of the government-controlled National Trade Union Congress (NTUC) is falling rapidly, even though the number of workers eligible for membership is rising.

The challenge now for Singapore is to allocate its scarce resources in such a way as to reduce its dependance on low-productivity, foreign-labour intensive industries to much higher productivity, high-technology sectors.

This would have the effect of reducing overall labour demand and increase the domestic labour supply and thus reduce the need for other than highly skilled or professional foreign labour.

Labour force projections

Year	Total	Male	Female
1980	1.115m	729,606	385,352
1985	1.224m	815,426	409,351
1990	1.296m	879,785	416,499
1995	1.342m	928,292	413,752

Source: Labour force projections 1980-2070, Saw Swee Hock.

Changes ahead on deregulation

Stock Market

LORETTE McLAUGHLAN

AFTER LAST year's stock market slump in Singapore, there had been hopes that the market would regain some of its lost sparkle in 1985. So far there has been no dazzling performance and for most of the year Singapore has remained near the bottom of the world league.

Persistently weak share prices have also meant that in terms of market capitalisation Singapore has had to concede the number two slot in the Far East to Hong Kong.

In line with poor sentiment, the number of new entrants has dwindled, falling from an already low 11 newcomers in 1984—of which just six were Singapore companies and the rest Malaysian—to just eight so far this year, none of which is Singapore-incorporated.

Likewise there has been no stampede to raise funds from the market: only three Singapore companies made a rights issue in the first six months of this year compared with six companies for the whole of last year.

All these figures do is reflect the economic downturn. But as the republic faces its first major economic crunch in 20 years it has been forced into much soul searching. As part of the work being done under the economic committee, headed by Brigadier General Lee Hsien Loong, bankers, brokers and policy makers have been examining the entire securities industry in an effort to see how it can be expanded, modernised and made more efficient.

Although their final deliberations are not going to be known until later in the year, it is obvious that the securities team plans to use this opportunity to pinpoint the weakness in the current market and recommend sufficient changes to allow the stock market to become an integral part in developing Singapore as a financial centre.

The recently-formed team has a good chance of success. After years of talk about the need for some kind of junior stockmarket, the Monetary Authority of Singapore and Economic Development Board announced in September that it was planning to establish an unlisted securities market, using London's USM as a model, in the second half of next year.

It should come as a relief to young companies who cannot meet the Stock Exchange of Singapore's stringent listing requirements and ought to help entrepreneurs, now a buzz word in recession-struck Singapore.

Little has been decided yet about the proposed Unlisted Securities Market. But one telling detail was revealed when the plan was officially announced. Banks and other financial institutions are to be allowed to deal directly on the second securities market, signalling the end of the monopoly held by local broking firms on the stock exchange.

Just what it will mean eventually for share dealing on the main market is anyone's guess at this stage. But it demonstrates that Singapore is aware of the need to develop its market-making capabilities in line with major financial capitals.

Deregulation is no distinct phenomenon. Pressure to upgrade local broking houses and systems comes not so much from New York or London but from the sister exchange in Kuala Lumpur.

Not only has Kuala Lumpur already taken the volume lead at times this year but it has taken all the initiative in what officials call "corporatisation" of brokerage firms.

Consequently, the rule which prohibits financial institutions from taking a stake in a Singapore stockbroking company is likely to be rethought.

Another big problem which the securities team has to address is how to improve the market's depth and breadth. Large investors complain that there is a shortage of big, tradable blue chips—notwithstanding the launch of Singapore Airlines at the end of the year—among the 300 or so listed companies.

It is impossible to be exact but it is thought that only a fifth of the total market capitalisation is traded at any one time as the bulk of the stock of each listed company is tightly held by controlling shareholders. As a result share price movements can often be erratic and illiquidity is a common complaint.

The man in the street is well-versed in stockmarket matters and is used to dealing himself, usually through a remisier, a middle man who splits the broking commission with the broking firm which provides his office space. The fact that there were 676 remisiers at the last count indicates the force of the private punter in Singapore.

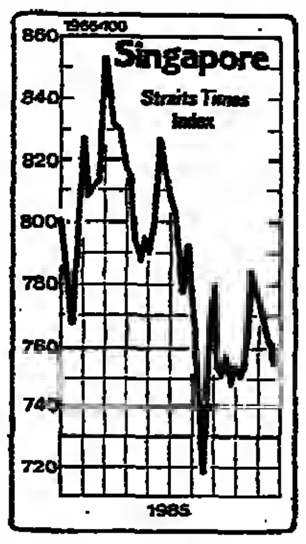
At the same time there is an obvious shortage of domestic institutional investors to provide what one fund manager calls a market keel. That in turn contributes to the overseas institutional view that Singapore is more of a short-term trading market than a long-term one for investment.

Local fund management has failed to develop in any significant way partly because the existence of the compulsory state savings scheme, known as the Central Provident Fund, leaves no room for pension funds.

The upshot of all the self-examination is that the rules and regulations are likely to be overhauled. A draft amendment to the Securities Industry Act was already being prepared when the Economic Committee's securities team got down to business. Prepared independently from the securities team, the original version of the draft met with stiff opposition from the broking community.

According to brokers, the draft appeared to give the MAS greater powers to control and monitor the industry which has been largely self-regulatory. It also seemed to be heading for a collision with the spirit of liberalisation emanating from the Economic Committee's securities team.

But the conflict appears to have been resolved by putting the proposed legislation on the back burner until the committee's work is finished. Then the Securities Industry Act can be updated with a view to providing an effective framework for the future.



Co-operative deals with China increase

Trade and foreign investment

KIERAN COOKE

SINCE THE foundation of modern Singapore trade has been central to its survival. When export growth took a dive this year, the rest of the economy plunged down with it.

In 1984 Singapore's exports (including re-exports) swelled by 11 per cent to reach a value of S$51.3bn. Estimates for export growth this year vary between 1 per cent and 3.5 per cent total trade in the first eight months of 1985 fell 3 per cent to S$73bn compared with the same period last year, mainly due to a decline in imports.

The trade deficit has narrowed this year—from S$6.62bn in August 1984 to S$4.96bn in the same month last year. Re-exports, which account for just under 40 per cent of total exports have generally performed better than domestic exports in recent months. So far this year they have grown by a healthy 5 per cent. While the trade downturn has had its repercussions throughout the economy, causing alarm among even the most bullish of Singapore's supporters, in comparison with many countries the outlook is hardly all gloom.

Singapore has had it very good in recent years. Some would argue that last year's export growth was just too steep, causing severe distortions in the economy and only adding to present troubles. In future it is felt Singapore should try to achieve a more measured but prolonged growth in its trade.

Distortions

It still remains in a very favourable trading position: its port is the third busiest in the world and its external trade accounts for more than three times its gross domestic product.

Last year trade contributed 15 per cent to GDP growth. With practically no resources and only two and a half million people it ranks in terms of total trade equal to Spain and only just below South Korea.

Singapore's leading trading partners are the United States, Malaysia, Japan and the EEC. The downturn in demand in the U.S. and, to a lesser extent, in Japan has been the main cause for the pause in trading growth.

In each of the past two years the U.S. has surpassed Malaysia in Singapore's total trade. In 1984 the surplus in trade with the U.S. was $1.4bn—the first time Singapore has had a trade surplus with a major trading partner since 1969.

Exports to the U.S. last year were worth $10.29bn—up 23 per cent on 1983. A lot of the growth has come from various computer and electronic equipment, in particular home computers—a large proportion of which are produced by the many U.S. electronic multi-nationals with operations in Singapore.

Export growth to the U.S. in 1985 is likely to be more than halved. Total trade with Japan dropped 9 per cent in the quarter of 1985, mainly due to a sharp drop in imports. Generally, say traders, things are the worst they have been for some years. However, overall figures would look very different if very large earnings on invisibles were included.

One analyst calculates that in terms of net invisible earnings Singapore now ranks fifth in the world. These are not only comprised of banking and financial services: Singapore has been very successful in selling its expertise and services to the developing world. Port and airport management, plant operation and management, tourist industry services have all made a substantial contribution to export earnings.

In addition, as its refining industry has declined, Singapore has built itself up into an oil trading centre. It hopes to be just as important an oil trading centre as New York: already majors like Mobil, Shell and Exxon are doing considerable business.

The Government is taking steps to alleviate the difficult trading circumstances. It is likely that wages will go up much more gradually than in the past: there is also a move towards greater productivity — South Korea, Taiwan and Hong Kong all have considerably higher productivity levels than Singapore at present.

In the past Singapore has shown its flexibility by moving into new product lines: now it hopes to change again into areas of higher technology like sophisticated medical supplies, robotics and genetic engineering.

It is also looking at new markets. The great hope for the future is China. In September, Prime Minister Lee Kuan Yew made an extensive tour of China during which he constantly emphasised the benefits to both his country and China of increased trade and business.

Several possible areas of co-operation were mentioned. "They are all attainable. Proposals like tourism, mutual co-operation in civil aviation, communications are practical, implementable," said Mr Lee.

At present the two countries have no diplomatic relations — Singapore says it will not normalise till Indonesia and China resume diplomatic contacts. However, trade contacts between the two have been steadily growing. Singapore plans to have trading offices in Shanghai and Canton as well as the present one in Peking before the end of next year.

Co-operation

China's state oil corporation, Sinochem, has recently opened an office in Singapore—a sign of the growing co-operation between the two countries in the oil sector.

China now ranks as Singapore's seventh largest trading partner with two way trade valued at S$3.4bn in 1984. Singaporean companies have been active in China for some time, particularly in the hotel and tourism industries and in civil engineering projects including port development. Singaporean investment in China is now estimated to exceed S$1bn.

There are other reasons for Singapore's optimism about the future of China trade: China has shown a growing desire for Singaporean participation in a number of major deals and something of a special relationship has developed, fostered not only by racial ties but also by common use of the mandarin language.

The architect of Singapore's economic success over the past 20 years, Dr Goh Keng Swee, has himself become a vital export item having been recruited as an adviser to China's ambitious programme of special economic zones. He is likely to preach the Singapore gospel loud and clear and in so doing it is hoped gain more business for the people back home.

India is another much touted target for the future growth of Singapore's trade and investment. For the moment, Singapore is making efforts to sell its considerable expertise in oil exploration, servicing and supply. Its shipyards, stuck with excess capacity and empty order books, are hopeful of rig orders: there is even talk of Singapore and India collaborating on rig building for export to the Soviet Union.

Loosening of trade restrictions in India has brought about a big surge in Singapore's exports: in 1984 exports to India went up by more than 50 per cent to S$1.3bn, mostly made up of machinery, electronic goods and other manufactured items.

The Australian market is also receiving increasing attention. Singaporean entrepreneurs like Jack Chia already own large tracts of real estate in Melbourne, Perth and other cities. They have also moved into other areas, mainly hotels or leisure related.

Australia now ranks as Singapore's eighth largest market: last year exports increased by 29 per cent to S$1.75bn. Both countries have expressed the wish for greater co-operation and the formation of more joint ventures. Parts of Africa, Latin America and closer to home, Burma, are other areas targeted for future trading growth.

Few believe that these new markets offer an instant panacea for all Singapore's trading problems. First, there has to be a change in the mix of Singapore's exports, allied to more sustained if lower demand in the U.S., Japan and Europe.

A banker described talk of a massive expansion in China trade as misleading and falsely optimistic: Singapore has come late to the China trade game, well behind Japan, the U.S. and European countries.

China is now facing severe financial constraints after heavy imports in recent years. At present it is unlikely to offer any big trading stimulus to Singapore. However, hopes still run high. "China is big enough for everybody," said the Trade Development Board "There are over 400,000 factories there, all waiting to be upgraded. Singapore can do a lot."

Neither India nor Australia are in the best of economic health and Singapore will obviously have to work very hard to secure markets in those countries, till now largely ignored.

There are also some uncertainties about the ability of Singapore business to respond to the new circumstances. There are still only a few Singaporean entrepreneurs active in overseas markets. Many feel that Singapore companies, cushioned by largely Government sponsored growth in the home market, have not been sufficiently competitive or aggressive overseas.

Most money invested abroad tends to go into property rather than industrial joint ventures. While South Korea, Taiwan and Hong Kong have been pushing new investments into countries like Indonesia, Singapore seems content to sit on much of its capital. In the last five years Singapore has dropped from number 10 to 15 in the list of foreign investors in Indonesia.

As neighbouring countries gear up their economies, the challenge becomes even greater. Indonesia has in the past three years become the world's biggest plywood exporter: the result has been the almost total elimination of Singapore's plywood industry and the loss of an important export item.

Rearguard action

As protectionist sentiment grows, trade is not going to become easier: some countries are already questioning whether certain Singapore exports should continue to be given preferential treatment under the generalised scheme of preferences (GSP). At present Singapore receives GSP treatment from 16 countries.

Earlier this year New Zealand threatened to discontinue some aspects of the scheme: it later capitulated after a fierce rearguard action by Singapore. With a per capita income well over US$6,000, Singapore will in future find it increasingly difficult to win the GSP argument.

Singapore is about to embark on its third industrial revolution. The first was in the 60s when the growth of modern-day Singapore was set in motion. The second was in the late 70s as the Republic moved into new industries, particularly electronics. Now it faces another change of direction as it moves into highly sophisticated areas like robotics and biotechnology. Whether or not the change is successful will be crucial to its future prosperity.

SINGAPORE 6

Vital hub links East and West

Telecoms
JOYCE QUEK

SINGAPORE'S Telecommunications Authority of Singapore does not share the doom and gloom other eoterprises project for 1985.

This is its year of living dangerously, advancing into more, better and cheaper services. Yet it does not sacrifice quality and, more importantly for a reserve accumulating government, profits.

It is already in the forefront of technology, scoring numerous firsts in innovation and enterprise. Soon words like Teleview, ISDN (Integrated System Digital Network) and CMRS (Cellular Mobile Radio System) will be as familier to the public as to Telecoms' forward-looking management.

It is confident of staying profitable while slashing rates across the board and spending more money than ever.

Direct overseas calls and telexes join its domestic subscription rates (unchanged for 14 years) as one of the lowest in the world, thanks to a second round of rate cuts this year.

Businessmen suffering from the economic downturn benefit most from cuts of up to 41 per cent for IDD, 23 per cent for international telexes, 53 per cent for telephone extensions, 52 per cent for pagers and 83 per cent for modems.

Through economies of scale, cost savings mean lower rates for users and a potential loss of $55m for Telecoms which gamble on offsetting it by the increased use of facilities.

This strategy has succeeded before. Total revenue for 18 months ended 31 March 1984 rose from S$1,249m to S$1,360m despite large cuts in international telephone and telex rates. Traffic rose but the never-satisfied authority called the 9 per cent revenue growth rate a "slowdown."

From its reserves, S$1,000m in fixed deposits and S$10m in spare cash, it will commit S$3.15bn to make Singapore an international communications centre.

It has managed to give more for less through an astute policy of banking on the future by spending billions on the latest technology. Yet it practically guarantees the Government S$47m in dividends annually.

Thus its optical fibre network stretchea across the island, forging tha way to better state-of-the-art equipment. The marvellous optic fibre, thin as hair, transmits signals 100 times faster yet save S$3m over the conventional copper cables.

While every conversation requires a pair of copper cables, 300,000 telephone channels need but one optical fibre. And this is only 1 per cent of the fibre's capability.

So services become cheaper as each pair of lines carries different forms of communication.

Digital telephone

The possibilities appear endless when the island's 25 exchanges are interconnected by the network, which also provides the basic infrastructure for the "hottest subject today," the fully Integrated Services Digital Network (ISDN). This is an intelligent network that can handle telephone calls, transmission between computers, telex machines, electronic mail and control of electronic equipment.

It provides a digital telephona which can store messages, time calls and actually see the incoming caller's number, which virtually eliminates crank calls.

By buying one of the four existing videotex systems, Telecoms could have reduced the projected S$500m-S$1bn investment in Teleview, an interactive computer-based information network. But it wanted a complex network of facilities which the average man can afford and easily learn to use so it partnered Marconi of Britain to develop its own system.

By the early 1990s, a user paying S$200 for an edaptor to fit to his television set and telephone will be able to read the naws, access the telephone directory, check stocks or weather, order groceries, send messages and operate a personal computer.

While it modestly says that Teleview will complement the Singapore Broadcasting Corporation's teletext system (similar to Britain's Ceefax), its interactive system has greater advantages in giving higher transmission quality, producing pictures, and storing more information, with evan faster access.

Meanwhile, the S$70m undersea submarine cable link with Hong Kong and Taiwan this year underlines Singapore's position as the communications hub between the East and West.

Already connected to all ASEAN partners, it will figure in links from Australia to Indonesia and, in its biggest project, from South East Asia to the Middle East to Western Europe.

The 1990s should see an integrated telecommunications network with the United States and the United Kingdom.

So far, it has introduced the S$48m Teletext service to receive and transmit text; facsimile machinea; Telebox for electronic bulletin boards; and six telephone services such as Abbreviated Dialling, Call Transfer and Call Waiting. It is no longer dependent on a partner to operate the telephone directory and the Yellow Pages.

The millionth telephone installed this year will raise the ratio of 369 telephones per 1,000 people (292 in Hong Kong) to a telephone for every two persons by 1989.

Next will come, with tha increasing popularity of mobile phones, alpha numeric pagers with words and figures and portable handheld telephones; facsimile machines to homes and even a means to avoid junk mail.

Telecoms has no pretensions as to its role, but many envisage a far grander scenario. Take its position as third largest shareholder (8 per cent) in Singapore Press Holdings, the monopoly created by the merger of the two major newspaper groups in 1984.

There are obvious synergies as both organisations are in mass communications. The newspapers' libraries can serve as the data base for Teleview, although the Times Publishing group recently launchad its almost similar rival Teleguide service. Whether it will play a bigger role remains to be seen, but its chairman Mr Frank Yung is an SPH board member.

Successful

Although a monopoly, Telecoms is mindful of service. General Manager Goh Seng Kim boasts its public relations philosophy was evaluated the best among government ministries, departments and statutory boards. PR chief Rosa Tham attends board meetings to assess the effect of decisions made.

This may explain the choice of Telecoms together with Singapore Airlines as two of the nation's most successful enterprises.

Such accolades have fuelled inevitable queries about its privatisation, after British Telecom's launch as one of 1985's most successful public issues which the Malaysian counterpart hopes to emulate.

It won't happen in the near future. Tha Government retains a controlling stake in companies important to the national interest and few organisations can claim more vital control of land, sea and air communications than Telecoms.

The authority will seek a place in the record books with its proposed 186-metre high engineering complex, designed by Kenzo Tange no less, as the world's tallest telecommunications building (London's 198-metre-high Post Office tower is essentially a tower).

With Telecoms reaching out in every conceivable direction, somehow this seems appropriate.

Strategy is being refined

Biotechnology
STEPHANIE YANCHINSKI

"SINGAPORE COULD become a clone of Silicon Valley, and the home of a new biotechnology industry to serve the whole Pacific Basin." So says Dr Vincent Yip, executive director of the Science Council, and head of advanced technology at the Singapore Economic Development Board, who is one of the architects of Singapore's industrial assault on high technology.

Dr Yip says "We don't have the burden of old industry, nor a large agricultural base to support. Our strategic location and international contacts means we are well placed to move fast" into a number of advanced technologies, of which biotechnology is only one.

The government programme for supporting research and development embraces electronic, and biotechnology, with projects ranging from designing software for information systems to breeding rare orchids. The focus, at the moment, is on biotechnology with the first major international conference to be held in Southeast Asia coming up in November, and foreign companies jostling to establish a base in Singapore.

Singapora's fledgling Science Park already boasts commitments from two foreign biotechnology ventures, the American-based Biotechnology Ltd, and the subsidiary of a major Japanese concern, soon to be announced. Two others, Everbloom Mushroom PTE and Plantek International PTE, a business backed with American money, are already well-established.

Venture capital

To encourage others the Government recently announced a S$100m venture capital fund earmarked for attracting collaborations with foreign companies in high-tech ventures.

The Government is also pouring money into biotechnology research. Four years ago the Ministry of Trade and Industry, which has taken a lead in supporting biotechnology, set aside S$50m for engineering and biological research through its newly inaugurated Research and Development Assistance Scheme.

To date, one fifth has been committed to biomedical and biotechnological projects. Early this year a new Institute for Molecular and Cell Biology was launched with a budget in excess of S$65m over the next five years.

On top of this, money filters out through other government agencies. The International Trading Company Intraco, a government firm Temasek, and the Development Bank of Singapore combined to underwrite 80 per cent of the S$20m Biotechnology, and build a production plant for manufacturing vaccines against hepatitis.

However, government planners are realistic about what can be achieved in a country as small as Singapore. Dr Yip points out "We must realise that Singapore's small internal market, and limited manpower are constraints on a full thrust on a broad front into biotechnology. The difficulties now confronting Singapore involves nurturing even higher levels of education and expertise."

This means encouraging the brightest students to think of a career in science instead of business through salary incentives, and higher status. He admits that the Mandarin tradition of honoured scholarship fundamental to Chinese society has not yet taken root in Singapore. "But quickly adds that "We are culturally very adaptable."

In view of the limited human and financial resources, the Government says that it seeks niches where Singapore inherently possesses certain advantages, such as tropical plant genetics, Asian food and beverages, and healthcare areas such as liver diseases. It consults a panel of top-flight foreign advisers to assess the value of the most ambitious projects, and help refine its strategy.

However, an expert with a noted consultancy agency in Singapore says "the government programme is still too broad. It may be a good thing at first to cast the net so wide in order to catch the entrepreneurs, but it must be refined rapidly afterwards."

Unfortunately, traditional local industry remains sceptical about the potential of biotechnology, and the Government still funds the applied research and development normally subsidised by industrial money in other countries.

Mr Wong Mong Hong, the works director of Lam Soon Oil and Soap Manufacturing, whose own company is involved in a large government-sponsored project to upgrade palm oil through biotechnology, says that in Singapore "the philosophy of industry is to look for immediate returns. They are not concerned with supporting R&D for getting markets 20 years from now, which will determine whether they survive or not."

Dr Yip remains optimistic. "We are like Zola Budd—we run well just behind the leaders, but can accelerate fast in the home stretch."

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
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GE plans further outside sourcing

By Terry Dodsworth in New York

GENERAL ELECTRIC (GE), the US electrical and electronic equipment manufacturer, is dropping the production of room air conditioners and eliminating 900 jobs at its plant in Louisville, Kentucky, in a further move to source household products outside the company.

The decision follows shortly after GE announced plans to dissolve its television manufacturing unit and shift to a system of buying-in the equipment from Matsushita Electric, the Japanese group.

GE then said it would be retaining its television tube production facilities and its distribution network, but would use Matsushita, which has a production plant in Chicago, to make sets to its own specifications.

Mr Roger Schipke, senior vice-president, said the outside sourcing of air conditioners, due to begin next year, would permit GE to "focus our heavy investment programme on our core products – refrigerators, laundry equipment, dishwashers and kitchen ranges."

The company has recently developed an entirely new range of dishwashers at its Louisville plant, and is believed to have earmarked more funds for the modernisation of its laundry equipment and kitchen products.

The closure of television and air-conditioning manufacturing, along with GE's sale of its kitchen appliances unit to Black and Decker last year, underline the strength of the competition in household products at a time when the domestic US industry is rationalising and new competitors are emerging overseas.

According to the unions at Louisville, GE aims to use another Japanese company – Sanyo – to produce its air conditioners, although the company says domestic and overseas suppliers are under consideration.

Mediobanca power struggle comes to a head

BY ALAN FRIEDMAN IN MILAN

A GROUP of bankers, Rome politicians and members of Italy's industrial elite will in the next few days enter a final phase of negotiations to resolve an issue that has been among the most explosive in the history of post-war Italian finance.

The issue is who controls Mediobanca, the Milan merchant bank, which for the past generation has been a state-controlled institution. Rather strangely, it has at the same time functioned as a closed and exclusive club on behalf of a small band of leading industrialists. There is thus, a sense of *ancien régime* at Mediobanca, a bank that since 1946 has been ruled by Dr Enrico Cuccia, now aged 78, Italy's most influential deal maker and financial fixer.

Mediobanca was originally conceived as a medium-term credit arm of state-controlled commercial banks. From the outset, it had the anomalous character of being an institution, majority-owned by the state but whose clients were primarily leading private-sector industrialists.

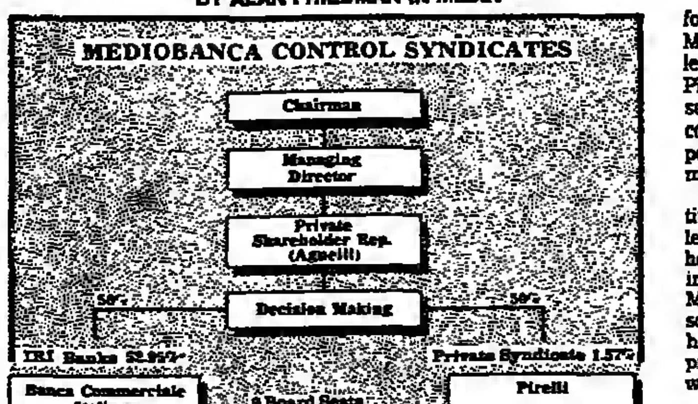
Thus, in 1955 it seemed quite natural for Dr Cuccia to devise a control syndicate in the bank that gave minority private shareholders a decision-making power equal to that of the three state banks that belong to the IRI holding group and have 56.9 per cent of Mediobanca. In the context of Italy in the 1950s, it was a way of reinforcing ties between public shareholders and private clients.

What developed, however, was that together with the Agnellis of Fiat and other members of the establishment, Dr Cuccia constructed a closely knit web of power, based on a network of industrial cross-holdings that would give pause to a Machiavelli.

Today the IRI banks have 50 per cent of decision-making power, while four shareholders who hold only 1.57 per cent of the bank's equity – Pirelli, Lazard Freres, Berliner Handelsbank and Lazard Brothers of London – have equal say.

Mediobanca has in its own portfolio of key share stakes in Generali insurance, Pirelli, Montedison, Fiat, Zanussi and dozens of other companies. Being Italy's only real merchant bank, Mediobanca has enjoyed unchallenged supremacy in corporate finance. Access to Mediobanca, however, has been restricted – one was either a member of the club or one was out in the cold.

But times are changing: Italy is seeing profound change in its financial markets as shown by the growth of unit trusts, foreign investment and the booming Milan bourse. It is becoming less easy for a few families to exert rigid control over publicly quoted companies that are in few senses really public.



Fast-footed stockbrokers, investors, bankers and financiers such as Mr Carlo de Benedetti are making some of the older players in Italian finance look like dinosaurs.

Mr Agnelli, whose power has at times exceeded that of Italian prime ministers, offered to give up his own board seat at Mediobanca in favour of Dr Cuccia, something he in any case could not do as his own seat requires the approval of state as well as private shareholders. Supporters of Professor Romano Prodi, IRI chairman, said no. Now the Agnelli group has been dropping dark hints about abandoning Mediobanca completely if Dr Cuccia is not retained.

Some analysts reckon that threat is o bluff. True, they reason, if Messrs Agnelli, Pirelli and others departed Mediobanca, the institution might lose some prestige. As for the *actual share stakes* in Mediobanca, Mr Agnelli controls less than half of I per cent, and Mr Pirelli 1.2 per cent. The private-sector giants have somehow been controlling Italian capitalism's most potent tool without having invested much real capital.

Meanwhile, if the private consortium left Mediobanca, it would be leaving behind a vast portfolio of holdings in key companies, including Fiat and Pirelli. A new broom at Mediobanca might eveo sweep some of those share stakes into the hands of new and emerging entrepreneurs, and that presumably would not please Mr Agnelli.

But the Mediobanca clash is even more complex. Aside from representing the old power versus the new and the private sector versus the state, it is also a political issue. Prof Prodi is a Christian Democrat who is trying to reduce IRI losses in part by partial privatisations of IRI subsidiaries on the bourse. To pursue that policy, he needs Mediobanca, with its securities expertise and placing power. The irony for Prof Prodi is that to privatise IRI companies, he needs to regain state control of a state institution that has fallen into private hands.

In a recent interview, Prof Prodi declared that he merely wished to "open Mediobanca up for free market competition." He denied any attempt to politicise the bank. While Christian Democrats want Dr Cuccia out, the private shareholders have allies in the Republican and Socialist parties. Turning Italy's most explosive financial issue over to the politicians in Rome cannot be in anyone's interests.

The IRI state banks are caught in *the middle. For BCI or Credito Italiano*, each with a 20.06 per cent stake in Mediobanca, that holding represents the biggest single asset held, with a market value of L430bn ($242m). Perhaps it is not surprising, therefore, that the most likely compromise solution might be to appoint a senior executive from either BCI or Credito Italiano to run Mediobanca while Dr Cuccia is given an honorary positioo or finally retired.

Whatever the solution, it will have to be ready by the end of this month, when Mediobanca must hold the annual shareholders' meeting, which was cancelled last week when IRI banks failed to appear. "We needed more time to find o compromise," explained one top banker.

The future of Mediobanca is important for reasons that go far beyond Dr Cuccia himself, and thus the wisest comment offered oo this explosive issue came the other day from Dr Carlo Ciampi, governor of the Bank of Italy. "Individuals," Dr Ciampi said, "come and go, but institutions remain."

GenCorp set to sell TV stations

By William Hall in New York

GENCORP, the *Ohio-based* conglomerate which used to be known as General Tire & Rubber, has agreed to sell its Los Angeles television station and has put its New Jersey TV station up for sale in a series of moves which could raise more than $600m.

The sales are part of a *major re*structuring of GenCorp which was unveiled yesterday by Mr William Reynolds, who was brought in from TRW in 1984 and took over as chief executive in September. GenCorp has had a chequered financial history and Mr Reynolds has been given the task of reorganising the group which has beeo cootrolled for many years by members of the O'Neil family.

The planned restructuring, which included the closure of the group's oldest tyre plant, o $40m after-tax write-off and a significant stock repurchase programme, caught Wall Street by surprise. GenCorp's shares jumped $7¼ to a new, all-time high of $62.

Westinghouse Broadcasting has agreed to buy KHJ-TV, Channel 9, Los Angeles from GenCorp's RKO general broadcasting subsidiary. RKO will receive $215m, plus working capital. In additioo, Westinghouse will pay $95m to Fidelity televisioo which has been disputing RKO's Los Angeles TV licence.

GenCorp has been fighting costly legal battles for 20 years to retain its TV and radio licences following allegations of questionable business practices. The company lost its Boston TV licence in 1982 and retained its New York area licence by moving the station across the river to New Jersey.

GenCorp also announced that it has hired Kidder, Peabody, the Wall Street investment bank, to explore the possible sale of WOR-TV Secaucus, New Jersey. Wall Street analysts have estimated that this station could be sold for more than $400m.

BMW sees further strong sales gains

BY JOHN DAVIES IN FRANKFURT

BMW, the West German car and motor-cycle maker, expects a further strong increase in sales revenue this year despite an upset in the local market.

Mr Eberhard von Kuenheim, chief executive, said earnings would be comparable with the good results of last year and BMW's dividend would be "appropriate." He added that the company did not necessarily aim to raise its dividend every year.

In the first nine months of this year, BMW increased group sales revenue by 13.4 per cent to DM 13.5bn ($5.18bn). Parent company sales were up 12.4 per cent to DM 10.36bn.

Mr von Kuenheim said group sales might reach about DM 18bn for the whole year, compared with DM 16.5bn last year, and the parent company's sales might reach DM 15bn, compared with DM 12.9bn in 1984.

In its home market, BMW car sales in the first nine months were down 9.6 per cent to 109,484, but this decline was more than offset by an 8.9 per cent rise in sales abroad to 212,866. As a result, the company's overall car sales showed an increase of 1.8 per cent to 322,350.

Like most manufacturers, BMW's local sales and orders slipped earlier this year when plans for tighter emission controls were announced.

Many motorists put off buying a car for some months because they were uncertain how the Bonn Government's pollution control plans would work out. The market has picked up since European Community ministers agreed on a compromise plan to introduce tighter controls over six years from October 1988.

Although BMW is regarded as *having lagged in* introducing diesel models, the company claims to be benefiting from the increased popularity of diesels in the local market.

Because of the strike in the motor vehicle industry last year, BMW postponed some investment to this year, complicating a comparison between the final results to be reported this year and those of last year.

BMW has already indicated it expects a loss on its South African operations this year, in common with some other vehicle manufacturers producing there.

Last year BMW increased net profit to DM 329.8m from DM 288m in 1983 and raised its dividend to DM 12.50 per share, compared with an DM 11 dividend and DM 1 bonus on its 1983 results.

The increase in BMW's overall sales revenue this year is partly due to a different model mix, with more interest in higher-priced cars.

Motor-cycle sales rose 13.5 per cent in the first nine months of this year to 27,447. Sales in West Germany were down 3.7 per cent to 7,673 but sales abroad were up 22 per cent to 19,774.

Mr von Kuenheim confirmed that BMW was interested in extending its stake in Loewe-Opta, the consumer electronics company. It already owns indirectly 8 per cent of Loewe-Opta.

Akzo still on target for record year

By Laura Raun in Amsterdam

AKZO, the Dutch chemicals and fibres group, lifted its earnings in the third quarter and reiterated its forecast of record profits for all 1985, despite possible erosion from a lower dollar in the final quarter.

Mr Syb Bergsma, the management committee member in charge of finances, was optimistic that Akzo would make another acquisitioo before the end of the year.

Net income rose 8 per cent to Fl 191.8m ($65m) in the third quarter, historically a weaker period for the Arnhem-based company. But the July-September profits have held up well for the past two years, suggesting some success in Akzo's efforts to reduce its cyclicality. Sales increased 11 per cent to Fl 4.35bn.

In the synthetic fibres division, however, operating income plunged 38 per cent, partly because of American Enka, the fibres subsidiary whose sales volume and selling prices have been hit hard by the relatively strong dollar. American Enka is to be sold to BASF of West Germany pending approval from the US Justice Department.

For the first nine months, earnings rose 14 per cent to Fl 651.1m while revenue grew 11 per cent to Fl 13.5bn. Profits for the whole year are expected to exceed last year's Fl 7.52m even though the impact of the lower dollar will begin to be felt more strongly in the fourth quarter. A weaker dollar tends to depress the company's earnings.

Rights issue for Ciga

BY OUR MILAN CORRESPONDENT

CIGA HOTELS, the Italian hotel chain which was taken over earlier this year by the Aga Khan, is to launch a L86.1bn ($48.9m) rights issue on the Milan bourse.

The Aga Khan, who is spiritual leader of 15m Ismaeli Moslems, is to subscribe for the part of the issue which relates to his share stake of 50.03 per cent.

Thus the actual amount to be raised on the bourse will come to L43bn. The rights issue, which will offer four new ordinary shares for every five held, or 11 new shares for every 100 convertible bonds in Ciga held, is to be underwritten by a consortium of banks led by Banca Commerciale Italiana (BCI).

Ciga is also making a free issue of one new share for each one held.

The rights issue involves the offer of 24.45m new shares of L1,000 nominal value at a price of L2,500 per share. This, together with the doubling of the number of shares in circulation (from 41.6m to 83.2m shares), would make a total new nominal share capital of L117.7bn.

Last year Ciga made a consolidated net profit of L9.1bn on turnover of L185bn. For the year which ended last month, turnover rose to more than L210bn.

Amev to buy UK insurer

By Our Amsterdam Correspondent

AMEV, the third-largest Dutch insurance company, plans to take over Bishopsgate Insurance, a non-life insurer based in Southampton, Britain, from the Worms group and Bain Dawes.

Bishopsgate reported gross premium income of Fl 275m ($93m) last year, which would increase Amev's total non-life premium income by about 11 per cent. Bishopsgate employs about 250 people.

Amev is already represented in the UK by the Gresham group

ITT earnings fall sharply

By Our New York Staff

EARNINGS at ITT, the US conglomerate, fell sharply in the third quarter, but mainly because last year's figures were boosted by a large non-recurring gain.

Net income amounted to $77m, or 50 cents a share, against $115.6m or 77 cents in the same period of last year. ITT said it had benefited in 1984 from an extraordinary gain of *$54.7m, or 36 cents* a share, relating to the acquisition of ICL, the UK computer group, by its British affiliate STC.

Sales and revenues increased in the quarter to $4.9bn from $4.7bn, including $2bn from the group's insurance and finance division against *$1.8bn a year earlier.*

In the first nine months, net profits rose to $303.3m or $2.03 a share, from $273.2m, or $1.81 in the same period last year. Revenues rose to $14.7bn from $14bn in 1984.

EUROBONDS

Citicorp novelty arouses mixed feelings

BY MAGGIE URRY IN LONDON

CITICORP returned to the Eurobond market yesterday with another innovative issue structure, a fixed-rate issue which has its coupon reset every two years at a 65 basis point spread over US Treasury note yields.

The $100m issue thus fixes Citicorp 12-year finance at a two-year rate, although the commissions payable are 2½ per cent, the standard 12-year fees.

The deal, led by S.G. Warburg, aroused discussion among bond traders. Some argued that the bonds give investors a good yield pick up over other two-year instruments and provide some capital protection, and noted demand for the bonds.

Others said investors were tying themselves up for 12 years but getting a two-year rate which is 9⅝ per cent for the first period.

Traders said the structure was too sophisticated for most investors and pointed out that Citicorp would be able to call the issue after six years if its paper was trading at a finer spread over Treasuries. The *bonds* were trading around the full fees.

Perpetual floaters were also to the fore again with two deals totalling $650m. Investor demand has been strong for these bonds because of the higher margin over London inter-bank rates offered compared with dated paper and the generally firm floater market.

National Westminster launched a $500m issue, led by County Bank, which counts as primary capital. The bonds pay interest at a ¼ per cent over London inter-bank bid rate (Libid) with front-end fees of 25 basis points. The bonds were bid at 99.75 yesterday.

SHF Bank bond average		
Nov 5		Previous
104.186		104.213
High	1985	Low
105.603		99.840

The other issue of $150m was for Bank of Ireland and is also primary capital. Traders regarded the terms on this deal as tight too, although it was *trading within its one-point* fees at 99.17 bid. The interest margin is ¼ per cent over the offered rate (Libor). Lead manager is E. F. Hutton.

The fixed-rate Eurodollar market tried to strengthen yesterday in the wake of a firmer New York bond market but, dealers said, the weight of unsold paper kept the market in check.

Two new issues appeared in the European currency unit market where coupons have been firming slightly of late. Credit Suisse First *Boston launched* an Ecu 75m eight-year issue for Petrocorp, the New Zealand company, with a 9 per cent coupon and 99½ issue price. This was moving slowly, bid at a 2 point discount, equal to the full fees.

An Ecu 50m issue for Moët-Hennessy had more fizz to it, trading within the 1⅛ per cent selling concession. The issue matures in March 1991 and also pays a 9 per cent coupon with the issue price set by lead manager Chase Manhattan at 100¼. The well-known name and the shorter maturity were attractive.

The D-Mark sector gave a warm welcome to an issue with equity warrants from Mövenpick Finance, part of the Swiss restaurant and hotel chain. The DM 75m seven-year issue has a 3 per cent coupon and par issue price and the exercise premium is 28 per cent. Lead manager is CSFB-Effectenbank and the bonds were trading around 107½.

A fixed-rate issue for Ford Motor Credit did not fare so well, trading outside the 2½ per cent fees. Deutsche Bank set the terms on the DM 200m 10-year deal at a 7 per cent coupon and 101 issue price. The proceeds are being swapped into dollars.

A DM 80m private placement for Gillette, also led by Deutsche Bank, was given a 6⅝ per cent coupon and par issue price for its seven-year life.

Bayerische Vereinsbank cut the coupon for Zenchiku's DM 30m issue with equity warrants from 3 per cent to 2¾ per cent. The bonds were trading around 104½.

On the secondary market D-Mark bonds were firmer by around ¼ point on average as traders continued to be more optimistic on interest rates and the currency, and felt that the recent correction had finished. The new floaters were under pressure once again.

The highest coupon yet seen in the Euro-Australian dollar market of 15 per cent was given to an A$40m three-year issue for NZI Securities Australia, guaranteed by NZI Corporation, the New Zealand insurance group. Issue price was set at 100⅛ by lead manager Banque Paribas. The sector is still under a cloud though and the bonds were quoted around the total 1½ per cent fees.

In the Swiss franc foreign bond market UBS launched a two tranche private placement for Sogo, the Japanese stores company. The first portion, for SFr 40m, is a convertible with a six-year life and an indicated 2¼ per cent yield. The second, for SFr 110m, is for five years and has equity warrants. The indicated yield is 3 per cent.

Swiss Volksbank cut the yield for Toyo Menka Kaisha's SFr 100m issue with equity warrants from 3 per cent to 2⅝ per cent. SBC cut the yield for Mitsui and Co's convertible issue of SFr 100m from the indicated 2 per cent to 1⅞ per cent.

The Swiss franc secondary market was mixed in average volume with prices varying from ½ point falls to ¼ point gains. Province of Nova Scotia's SFr 200m 20-year issue finished its first day's trading at 97½ compared with its 99¾ issue price. It has a 5½ per cent coupon.

Christiania Bank set the price for Hafslund's NKr 200m issue at par leaving the coupon at 9⅞ per cent. The bonds have a seven-year life, and were trading within the 1¼ per cent selling concession.

The Euro-clear System, the international securities clearing and settlement operation, has more than $250bn nominal of securities held in the system for participants. This is an increase of 37 per cent over the $182.1bn held at the start of 1985.

International bond service, Page 22

INTERNATIONAL COMPANIES & FINANCE

N. AMERICAN QUARTERLIES

EMERSON ELECTRIC
Electrical and Electronic products

Fourth quarter	1984-85	1983-84
	$	$
Revenue	1.16bn	1.12bn
Net profits	97.3m	95.5m
Net per share	1.52	1.22
Year		
Revenue	4.65bn	4.36bn
Net profits	401.1m	389.0m
Net per share	6.43	5.00

MESA PETROLEUM
Oil and gas exploration

Third quarter	1985	1984
	$	$
Revenue	82.2m	105.1m
Net profits	12.2m	13.2m
Net per share	0.16	0.18
Nine months		
Revenue	276.1m	311.2m
Net profits	188.6m	256.6m
Net per share	2.25	3.57

READING AND BATES
Offshore drilling

Third quarter	1985	1984
	$	$
Revenue	78.4m	97.7m
Net profits	119.2m	†1.19m
Net per share	†0.78	†0.02
Nine months		
Revenue	227.1m	261.4m
Net profits	†28.8m	12.4m
Net per share	†1.31	0.18

†Loss

TANDEM COMPUTERS
Fail-safe computers

Fourth quarter	1984-85	1983-84
	$	$
Revenue	173.2m	153.1m
Net profits	11.1m	21.6m
Net per share	0.27	0.53
Year		
Revenue	624.1m	532.6m
Net profits	34.4m	42.9m
Net per share	0.82	1.04

TRANSWAY INTERNATIONAL
Transport, distribution

Third quarter	1985	1984
	$	$
Revenue	196.2m	209.1m
Net profits	4.52m	3.91m
Net per share	0.72	0.59
Nine months		
Revenue	652.8m	640.4m
Net profits	16.4m	13.8m
Net per share	2.47	2.40

WORLD AIRWAYS
International air carrier

Third quarter	1985	1984
	$	$
Revenue	108.1m	97.2m
Net profits	10.5m	1.6m
Net per share	0.93	0.02
Nine months		
Revenue	272.2m	246.2m
Net profits	2.3m	†5.6m
Net per share	0.18	†1.05

†Loss

Apple outlines new strategy

BY LOUISE KEHOE IN SAN FRANCISCO

APPLE COMPUTER is aiming for increased profits despite flat revenues for fiscal 1986, according to Mr John Sculley, president of the US personal computer manufacturer.

Outlining a series of strategic changes at Apple, Mr Sculley said the group plans not to increase its revenues but to restructure the mix of revenues so it can be well positioned in the long-term to counter competition.

Apple is planning for around 15 per cent revenue growth in international operations, particularly Europe, and wants to increase the proportion of its sales abroad from 20 per cent to 35 per cent.

"We expect profits to be significantly higher in 1986 than 1985. Things are shaping up for a fine Christmas quarter with orders already brisk, though revenues will be lower than last year," Mr Sculley said.

Research and development spending will increase by 30 per cent above fiscal 1985 levels. "This is an extraordinary commitment to the importance we believe new product developments must play in Apple's future."

Apple implemented a radical reorganisation of its operations this summer. Previously, the company had been arranged in two product divisions which often competed for corporate attention and funds. In the aftermath of the reorganisation, Apple co-founder Mr Steve Jobs resigned as chairman and has subsequently been sued by Apple for alleged theft of proprietary information.

The crisis created by Mr Jobs's public quarrels with his former company and by a slowdown in personal computer market growth served to pull together Apple's new structure, said Mr Sculley.

Southland rejects Burlington bid

BY OUR FINANCIAL STAFF

SOUTHLAND ROYALTY, the Texas-based oil and gas producer, has rejected the $730m or $17 a share offer by Burlington Northern, the US transport group.

It has also sued Burlington Northern, charging violation of the Securities and Exchange Act and is seeking preliminary and permanent "injunctive relief" against the offer.

Southland also disclosed that it approved lucrative "golden parachute" benefits packages for its top executives in the event of the company being taken over.

Southland has also sweetened its plan to reorganise the business into a limited partnership. Changes in the plan include an increase in the intended distribution per unit from $2 to $2.70 a year and a commitment to make the distribution during each of the next three years subject to certain conditions.

Southland also announced that a charge, reflecting the expected abandonment of its undeveloped leases as a result of its proposed reorganisation into a limited partnership cut third quarter results by $7.6m, or 18 cents a share, after taxes.

The charge left the group with a third-quarter loss of $1.1m or 3 cents a share, compared with a profit of $8.5m or 20 cents a share in the same period last year.

Nine-month profits totalled $24.6m or 57 cents a share against $25.9m or 60 cents previously.

Revenues totalled $230.0m against $245.3m for the nine months.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for November 5.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex 10¼ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	10.63
Amex Credit 10⅞ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	10.09
Atlant Richfld 10⅞ 90	250	[illegible]	[illegible]	[illegible]	[illegible]	10.75
Australia Com 11⅛ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	10.64
Australia Com 11 95	200	[illegible]	[illegible]	[illegible]	[illegible]	10.28
BP Capital 11¾ 92	150	[illegible]	[illegible]	[illegible]	[illegible]	10.29
Campbell Soup 10⅞ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	10.12
Canada 11⅞ 90	500	[illegible]	[illegible]	[illegible]	[illegible]	9.61
Canadian Pac 10⅞ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	10.12
Canadian Pac 12½ 99	75	[illegible]	[illegible]	[illegible]	[illegible]	11.38
Chevron U S A 12⅛ 88	600	[illegible]	[illegible]	[illegible]	[illegible]	9.38
Citicorp 10 88	200	[illegible]	[illegible]	[illegible]	[illegible]	9.90
Citicorp 10⅞ 95	200	[illegible]	[illegible]	[illegible]	[illegible]	10.08
Citicorp 11½ 95	150	[illegible]	[illegible]	[illegible]	[illegible]	10.10
Coca Cola 11⅝ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	10.15
Denmark Kingdom 11⅛ 89	100	[illegible]	[illegible]	[illegible]	[illegible]	10.03
Denmark Kingdom 11½ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	10.14
Denmark Kingdom 11½ 92	100	104¼	104¾	+0¼	+1¼	10.47
E.D.F. 10 95	225	96⅞	97⅜	+0¼	+1½	10.07
E.E.C. 9⅛ 90	350	98¾	99¼	+0¼	+1⅛	9.88
E.E.C. 11¼ 90	100	103⅞	104⅜	+0¼	+1	9.86
E.I.B. 12 95	200	108	108½	+0¼	+1½	10.55
Eli Lilly 10¼ 92	150	101⅝	102⅛	+0¼	+1⅛	9.86
Export Dev Corp 10 90	100	100⅝	101⅛	0	+1	9.72
Export Dev Corp 12 89	100	107¼	107¾	+0⅛	+0¾	9.64
Fed Dep Stores 10⅛ 95	100	97⅜	97⅞	+0¼	+0¾	10.51
Ford Motor Cred 11⅞ 90	100	103¼	103¾	+0⅛	+0¾	10.29
Ford Motor Cred 11¾ 92	100	† 103⅜	103⅞	+0¼	+0½	10.91
Ford Motor Cred 12 95	100	105¼	105¾	+0⅝	+1⅛	11.00
Gen Elec Credit 10¾ 90	200	101⅜	101⅞	+0¼	+0¾	10.02
GMAC 10¼ 89	200	101⅛	101¾	+0⅛	+0⅞	9.70
IADB 10½ 95	150	99¾	100¼	+0⅝	+1⅜	10.48
IBM Credit 10⅛ 2000	300	† 102⅛	102⅝	0	+0¾	10.04
Kellogg Company 10⅝ 90	100	103¼	103¾	+0⅛	+0⅞	9.79
Kellogg Company 11¼ 92	100	104½	105	0	+0⅝	10.16
L.T.C.B. 12¼ 91	100	110½	111	+0¼	+1¼	10.37
Macy Cred Corp 11¾ 95	100	101¼	101¾	+0⅛	+1⅛	11.46
Mitsui Trust 11⅛ 90	100	103½	104	+0⅛	+1⅛	10.53
Pillsbury Co. 10¼ 93	100	97½	98	+0⅜	+1¼	10.68
Pru Realty secs 12⅛ 95	540	107⅛	107⅝	+0⅛	+1⅛	10.80
Qantas Airways 10⅛ 95	140	99¾	100¼	+0¼	+1½	10.36
Quebec Hydro 11½ 92	100	106¼	106¾	+0⅛	+1⅛	10.16
Queensland Govt 10¼ 95	100	97¾	98¼	+0⅛	+1⅛	10.57
Ralston Purina 11¾ 95	150	104⅞	105⅜	0	+0⅞	10.93
Ralston Purina 12¾ 89	100	108⅛	108⅝	+0⅛	+0¾	10.06
Saskatchewan 10¾ 92	100	102¼	102¾	+0½	+0⅞	10.17
Saskatchewan 11⅞ 89	100	106⅜	106⅞	+0⅛	+0¾	9.80
Statoil 10 90	170	100⅛	100⅝	+0½	+1	9.86
S Wales Trsy 11¾ 90	150	105½	106	+0⅛	+0¾	10.06
Swed Exp Cred 10 92	100	98½	99	+0¼	+0⅞	10.24
Swed Exp Cred 12¾ 89XW	100	107⅝	108⅛	+0¼	+0⅞	10.15
Sweden Kingdom 10⅞ 90	200	102⅞	103⅜	+0¼	+0¾	9.95
Sweden Kingdom 11½ 89	200	105⅛	105⅝	+0⅛	+1	9.83
Sweden Kingdom 11¾ 94	100	106⅜	106⅞	+0⅛	+1⅜	10.57
Tenneco Corp 10¾ 95	150	100¼	100¾	+0¼	+0¾	10.64
Texaco Capital 10 95	300	94⅞	95⅜	+0½	+1⅜	10.82
Texaco Capital 11⅛ 95	250	101⅝	102⅛	+0⅜	+1	10.78
Utd.Tech Fin 10⅝ 95	100	100	100½	+0¼	+1¼	10.57
Victorian Rep 11⅛ 92	150	104⅞	105⅜	+0⅜	+1¼	10.47
World Bank 10⅛ 95	300	98¼	98¾	+0⅛	+1	10.36
World Bank 12¼ 94	200	112¾	113¼	+0⅜	+1½	10.53

Average price change On day +0¼ on week +1

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	104	104¾	+0⅛	+1⅛	7.31
Austria Republic 7⅝ 94	200	102⅞	103⅜	0	+1	7.09
Baxter Travenol 7¼ 94	200	100⅞	101⅜	0	+0½	7.08
Copenhagen 7⅝ 95	150	100⅛	100⅝	0	+1	7.29
Credit National 8⅛ 94	200	104¾	105¼	0	+1¼	7.29
E.I.B. 7¼ 94	300	101	101¾	+0⅛	+1¼	7.04
Escom 6 92	150	95	95¾	−0⅛	+0⅜	6.96
Ex-Im Bk Korea 7⅝ 90	100	100⅛	100⅝	0	+0½	7.51
Ferrovie Dello Stato 8 91	100	103⅜	104⅛	+0⅛	+0¼	7.12
Finland Republic 7 92	200	100⅜	101⅛	−0¼	+1¼	6.84
Gould Intl Fin 7⅝ 91	100	102⅝	103⅜	0	+1	6.94
Ireland 8⅛ 92	150	104⅛	104⅞	0	+0¼	7.22
Japan Fin Corp 7⅝ 91	100	102⅞	103⅝	0	+0⅛	6.90
Mitsubishi Hvy 3½ 89WW	300	153⅞	155⅝	−0¼	−0¼	−9.38
Mitsubishi Hvy 3½ 89XW	300	91⅜	92½	−0⅛	+1	6.12
Mitsubishi Met 3⅛ 89WW	100	100	100	−1½	−1⅛	1.73
Mitsubishi Met 3⅛ 89XW	100	88¾	89½	−0⅛	−0⅛	6.18
Quebec Hydro 7⅛ 90	200	101⅜	102⅛	−0¼	+2¼	6.86
Rente 7¼ 95	100	102⅛	102⅞	+0⅛	+1	7.37
Soc Cent Nucleair 7¼ 90	150	101	101¾	+0⅛	−0⅜	7.04
Societe Cent Nucleair 8 91	100	105⅝	106⅜	−0¼	0	6.68
Sth African Tran 7⅝ 92	100	91⅞	92⅝	+0⅜	−0⅞	9.17
World Bank 7 90	600	100¼	100¾	0	+1⅝	6.92
World Bank 7¼ 89	100	103¼	104	0	+0⅜	6.47

Average price change On day −0½ on week +0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap Corp 5⅝ 94	130	† 100	100¼	+0¼	0	5.56
Brit land Comp 6½ 93	75	† 104¼	104½	−0¼	−0⅜	6.03
Council of Europe 6 92	120	† 101¾	102	+0¼	−0¾	5.67
Creditanstalt 5½ 94	100	† 98½	99¼	0	0	5.55
Deutsche Bk Fin 5⅜ 95	100	† 101	101¼	−1	−1	5.21
E.I.B. 5¾ 94	120	† 101½	101¾	−0½	−1½	5.64
Gen Occidentale 4½ 94	90	† 103	103¼	+1¼	+0¾	4.08
Glendale Fed.S&L 6½ 90	100	† 97	97¼	0	−0½	5.83
Ind Fund Fin 5¾ 94	40	†* 101	101¼	0	0	5.59
Int-Am Dev Bk 6⅛ 94	120	† 103	103¼	0	0	5.67
N Zealand steel 5¾ 90	70	†* 99¾	100	+0¾	−0¼	5.76
Oberos Kitwk 5⅝ 95	100	†* 100	100¼	0	+0½	5.58
Olivetti Intl 5½ 95	100	†* 100½	100¾	0	−0¼	5.41
Pepsico 5¼ 90	130	†* 100	100½	−0⅝	+0⅛	5.21
Ralston Purina 5⅝ 94	125	†* 101	101¼	+0¼	+0½	5.22
Santos Finance Ltd 6 94	130	†* 99½	99	−0⅝	−0⅛	6.18
Tokyo Elec Pwr 6½ 95	120	† 100¾	101	0	−0¼	5.35
Tokyo Metropolis 5¼ 94	80	† 100½	100¾	0	0	5.10
World Bk 5¾ 94	150	† 101¼	101½	−0¾	−0½	5.55

Average price change On day −0⅛ on week −0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Finland Republic 6¾ 90	15	99⅛	99⅝	+0⅜	+0¾	6.88
Gdyr Tr & Rubber 7¼ 90	25	99⅜	99⅞	+0¼	+1⅛	7.17
Mort Bk Denmark 7 92	10	99¼	99¾	+0⅜	+1¼	7.09
New Brunswick 7⅛ 95	10	99¾	100¼	+0⅜	−0⅛	7.12
Swed Exp Cred Zero 90	14	70¾	71¼	+0¼	−0½	7.25

Average price change On day +0¼ on week +0⅝

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aust Gas & Light 13 92 $A	50	90⅛	90⅞	0	−0⅝	[illegible]
Kellogg Co 13¾ 88 A$	30	96⅞	97⅜	−0⅜	−0¼	14.22
Pepsico Cap Res 13 90A$	50	102⅝	103⅛	−0¼	−0¼	12.17
Transcan Pipe 13½ 90A$	40	95⅝	96⅛	0	0	15.17
Amex 10¾ 90 C$	50	101⅛	101⅝	+0⅛	+1⅛	10.38
CIBC 10⅝ 90 C$	75	† 102⅛	102⅝	0	+1⅛	10.16
Genstar Fin 11¾ 95 C$	75	100⅜	100⅞	+0⅝	+1¼	[illegible]
Hamil-Went'th 10¾ 95C$	25	† 94½	95½	0	+0¾	11.61
Montreal 11½ 95 C$	75	103⅛	103⅝	−0¼	+2⅛	[illegible]
Sears Acc. Co 10⅝ 92C$	75	† 97¼	97¾	+0⅛	+1½	[illegible]
Winnipeg City 10⅛ 90C$	50	102¼	102¾	0	+1½	[illegible]
Chrysler Fin Corp 17 90NS	65	91⅞	92⅜	−0⅝	−0¼	[illegible]
K O P 16½ 91 NS	50	98½	99	+0¼	+0⅝	[illegible]
Kreditbank Lux. 17 88 NS	70	99½	100½	+0½	+0½	17.10
B N P 8⅞ 95 ECU	75	98	98½	+0¼	−0⅝	[illegible]
IBM Wld Trade 9⅞ 90ECU	150	100¾	100½	+0½	+0½	[illegible]
Sec Pac Aust 8¾ 90 ECU	100	98¼	98¾	+0⅜	+0¼	9.14
Honda Motor WW 3⅛ 90FL	100	102⅛	103⅛	0	−0½	3.18
Honda Motor XW 3⅛ 90FL	100	90	95½	−0⅛	−0⅛	7.48
Thyssen 7¾ 90 FL	50	101⅞	102⅛	+0⅜	+0⅝	7.27
Wereldhave 7½ 90 FL	75	101	101½	0	+0¼	7.17
Wessanen 8¼ 90 FL	50	99⅜	99⅞	+0⅛	+0½	[illegible]
S N C F. 11 2000 FF	500	100¼	100¾	+0⅛	+0⅛	10.91
Australia Comm 11 92 £	40	100⅛	100⅝	0	+0¼	[illegible]
BP Capital 10¾ 92 £	50	100	100½	−0⅛	+0⅛	[illegible]
E.I.B. 11⅛ 93 £	30	100	100½	−0⅛	−0⅛	11.04
GMAC UK Fin 10½ 90 £	30	99⅜	99⅞	−0⅛	+0¾	10.79
Imp Chem Inds 11¼ 95 £	75	100¾	101¼	0	+0¼	11.07
Imp Chem Inds 10¾ 92 £	75	97⅞	98⅜	−0⅛	0	11.14
Mcdonalds 10⅞ 90 £	40	100⅛	101⅜	+0¼	+0⅜	10.51
Mitsubishi Fin HK 11 90 £	50	99½	100	+0¼	+0⅛	11.03
Privatbanken 11⅛ 92 £	20	100⅜	101¼	−0⅛	−0⅛	11.51
Rank Xerox 11 92 £	40	99⅜	99⅞	0	0	11.09
Royal Ind 10¾ 92 £	60	97½	98	−0⅛	−0⅛	11.22
Ster Drug Cap 10⅞ 90 £	30	100	100½	0	+0¼	10.76
Tricentrol XW 11 92 £	35	96⅝	97⅛	+0¼	+0⅜	11.47
T'house Forte 11⅛ 90£	50	99⅜	99⅞	+0⅛	+0⅛	11.19
World Bank 11¼ 95 £	190	101	101½	−0⅛	−0⅛	11.02
C O E 8⅞ 93 LF	600	98⅛	98⅞	+0⅜	+0⅛	[illegible]
Nat Lux Alum 10½ 92 LF	600	100⅜	100⅞	+0⅛	+0¼	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
BankAmerica O/S 5¼ 96	0¼	99⅞	100⅛	30/12	8⅞	8.13
Bankers Trust 5 2000	0	99½	100¼	11/12	8.44	8.44
B.F.C.E. 5¼ 99	0⅛	100⅛	100⅜	13/12	8⅜	8.73
B.N.P. 5¼ 95	0	101⅜	101⅞	10/1	8¼	8.17
B N P. 5¼ 96 (July)	0⅛	99⅞	100⅛	22/1	8¼	[illegible]
B.N.P. 5¼ 89	0⅛	100	100½	5/6	8¼	[illegible]
Britannia 5 93	0⅛	99⅞	100⅛	9/1	8	[illegible]
C.C.F. 5¼ 97	0	99⅝	99⅞	20/10	8.18	[illegible]
Chase Man'tn 5¼ 2009	0⅛	100	100¼	5/12	8.44	8.43
Credit Lyonnais 5¼ 96	0⅛	100⅜	100⅞	11/10	[illegible]	[illegible]
Credit Lyonnais 5 00	0	100⅛	100⅜	10/1	8	[illegible]
E.E.C 5 90	0	99⅜	99⅞	8/1	[illegible]	[illegible]
E N E L. 5 00	0⅛	100⅛	100⅜	1/3	8	[illegible]
Iceland 5¼ 00	0⅛	99⅝	99⅞	11/1	8¼	[illegible]
Ireland 5¼ 97	0	100	100¼	20/10	[illegible]	[illegible]
Ireland 5¼ 89	0	100¼	100½	16/3	[illegible]	[illegible]
Lloyds Bank Perp	0⅛	100⅛	100⅜	9/12	8	[illegible]
Midland Bank Perp 8	0¼	100	100½	19/12	8⅛	[illegible]
Nat West Perp A 5¼ S	0¼	100	100¼	9/1	8⅛	[illegible]
Nat West Perp B 5¼ S	0⅛	100⅛	100⅜	10/2	[illegible]	[illegible]
New Zealand 5 97 £	0	99¾	100	14/11	11.56	11.59
Roy Bk Canada 5 2005	0⅛	99⅞	100⅛	7/10	8¼	[illegible]
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	1/11	[illegible]	[illegible]
Societe Generale 5¼ 97	0	100	100¼	13/3	8¼	[illegible]
United Kingdom 8 92	0	99⅞	100⅛	7/7	8	[illegible]

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	125⅛	126⅛	+0⅜	7.61
Comcast 7 2000	12/85	23.875	† 106	106¾	+0⅝	[illegible]
Fanuc 3¼ 00	1/84	7032.3	198⅞	200⅜	−0⅝	[illegible]
Fuji Hvy Inds 3 2000	8/85	678	95⅞	96⅞	−1⅛	[illegible]
Fujitsu 3 99	5/84	1320.0	92⅛	93⅛	+0⅛	13.22
Kumagai Gumi 3½ 2000	3/85	600	169¾	170¼	−0¾	[illegible]
Marui 3½ 99	7/84	1162	147⅝	148⅝	−0⅝	[illegible]
Mitsubishi Elec 2⅞ 00	3/85	422	98⅞	99⅞	+0⅝	[illegible]
Murata 3½ 2000	7/84	2398	111⅝	112⅝	−0½	[illegible]
Nippon Elec 2⅞ 2000	1/85	1285	103¼	104¼	0	[illegible]
Nippon Oil Co 3 2000	5/85	923	100⅜	101⅜	+0¼	−1.65
Oki Elec Ind 3½ 99	10/84	805	90¾	91¾	+0⅛	[illegible]
Orient Leasing 5¼ 98	6/83	2680	106¼	107¼	+0¾	[illegible]
Sekisui House 3 99	6/84	812	180⅝	182⅛	−0½	[illegible]
Sumitomo Bank 2¾ 2000	8/85	2142	97⅞	98⅞	+0⅝	[illegible]
Sumitomo Corp 2⅞ 99	5/84	593	134⅛	136⅛	+1¾	[illegible]
Taiyo Yuden 3¼ 2000	3/85	1078	† 97	98	−2	[illegible]
Takeda Riken 3⅛ 2000	10/84	7683	† 90	91	0	[illegible]
Tokyo Sanyo Elec 3½ 99	12/84	772	93⅜	94⅜	−0⅜	[illegible]
Toshiba Ceramics 3 2000	4/83	1734.2	86⅞	87⅞	−0¼	[illegible]
Nippon Oil Co 2⅛ 92 SF	3/84	1052	† 100¾	101	−0¾	[illegible]
Nippon Shinpan Co 2 92 SF	3/84	801	† 109	110	+0¾	[illegible]
Asics 5 92 DM	12/83	520	106½	107½	−0⅜	[illegible]
Renown 3⅛ 00 DM	3/85	675	108	109	−0⅜	[illegible]
Sum Realty 6¼ 92 DM	2/83	338	† 373	374	+2½	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = current coupon. C.yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Japanese shipbuilder in plans to cut workforce

BY TOKO SHIBATA IN TOKYO

HITACHI ZOSEN, the large Japanese shipbuilder, has announced plans to shed 5,000 jobs and close the new vessels yard at its Hiroshima site.

The job cuts, to be effected by March 1987, will account for some 30 per cent of the total workforce. The withdrawal from shipbuilding at Hiroshima is due to be completed by the end of 1987, the company will concentrate these activities at its Ariake works in Kyushu.

Workforce reductions are to be brought about through the lowering of the retirement age to 58 from the current 60 and the transfer of some workers to newly established subsidiaries.

Japanese shipbuilders are facing the evaporation of their order backlog within two years. Of the industry's rationalisation efforts, those planned by Hitachi Zosen are the most drastic. This reflects the high proportion of shipbuilding in its overall business, accounting for about 24 per cent of turnover compared with only 15 per cent for Mitsubishi Heavy Industries, the largest.

Ishikawajima-Harima Heavy Industries (IHI) has also announced plans to reduce its workforce, by 2,000 through transfers to other departments or group companies. IHI has a total workforce of slightly over 24,000, of which 8,000 are in the shipbuilding division where the cuts will be centred.

The company is also to cancel the planned extension of its mandatory retirement age from 58 to 59.

At the same time, IHI announced yesterday that parent company pre-tax profits dipped 5.05 per cent to Y8.34bn in the six months to September. Sales were 5.3 per cent lower at Y385bn, and net earnings emerged at Y4.04bn or Y3.10 per share, against Y4.70bn or Y3.61 a share.

It maintained the interim dividend, however, at Y3 per share.

First-half loss for Nippon Oil

BY OUR TOKYO STAFF

NIPPON OIL, Japan's largest primary oil distributor and refiner, suffered a pre-tax loss of Y7.23bn ($34.8m) in the half-year to September, compared with profits of Y8.23bn in the first half of 1984-85.

Earnings deteriorated despite stable crude oil prices in dollar terms, helped by a reduction in oil output by the Opec countries and hefty foreign exchange gains accrued on oil imports following the steep appreciation of the yen.

There was a net loss of Y6.08bn, against profits of Y3.9bn. Half-year turnover was Y1,373.6bn, down by 3.6 per cent.

The fall in earnings was blamed on a fall in demand for fuel oil from electric power companies as nuclear power stations came on stream, and slack market prices for petrol and other products. Efforts to firm up petrol wholesale prices were undermined by fierce competition of retail outlets.

For the second half to March 1986, Nippon Oil intends to raise product prices by Y7,000 per kilolitre and expects exchange profits of Y16bn on the premise that the dollar will stand at Y215 on average.

The company projects oil sales excluding joint sales with Mitsubishi Oil at 39m kilolitres for the year as a whole down 5.4 per cent from the previous year. It is aiming for full-year pre-tax profits of Y15bn, up 3 per cent, and net profits of Y8bn, down 17 per cent on sales of Y2,900bn, down 6 per cent.

The dividend total will be maintained at Y6 per share, including an interim payment of Y3.

Japan relaxes Samurai bond restrictions

By Carla Rapoport in Tokyo

JAPAN'S Ministry of Finance (MoF) has cleared the way for increasing the volume of yen-dominated foreign bonds, or Samurai bonds, in Japan.

The MoF has approved dual-currency Samurai bonds, raised the ceiling on issue amounts and increased the number of eligible bond-rating services from three to five.

Further, the MoF says it plans to allow floating-rate note Samurais, zero-coupon bonds and corporate bonds with warrants in the Samurai market. MoF official said yesterday the new bonds would amount to foreign exchange hedges for the issuers and allow them to procure cash at less cost than in Eurobond issues, because of swapping deals.

For the investor, the new Samurais would offer higher interest rates than straight yen bonds.

Companies with triple A ratings will have no ceiling placed on issue volume, while that for companies with double A ratings will be increased from Y30bn to Y40bn.

Price rises boost interim sales and profits at Telco

BY R. C. MURTHY IN BOMBAY

TATA ENGINEERING and Locomotive Company (Telco), India's largest producer of commercial vehicles, achieved a 9.8 per cent increase in sales to Rs 3.77bn ($308.7m) in the half-year to September, while pre-tax profits rose 12.2 per cent to Rs 115.0m, reflecting price increases effected early this year.

The company produced 22,905 vehicles, up by 13.8 per cent over the same six months last year. The value of exports was down two-thirds to Rs 136.0m, but Telco hopes to lift exports to Rs 600m by the end of the current year.

Mr S. Moolgaokar, chairman, says the overall performance of the company during 1985-86 is expected to be better than in the previous year. Telco's product range has been widened with the recent introduction of hydraulic excavators with Japanese collaboration.

● Associated Cement Companies, India's largest cement producer, has proposed a one-for-five scrip issue, disappointing its shareholders and stockbrokers who had expected a more generous distribution.

An issue of this nature was proposed originally in September last year but was stalled by the Industrial Development Bank of India (Idbi), a government-owned financial institution.

Its prior permission was necessary because of loans which had been granted by Idbi for expansion and modernisation.

The proposal was opposed on the grounds that the company's projected earnings would not be able to service the increased equity base, but the present plan has the tacit approval of Idbi.

On the expectation of a three-for-five bonus issue, shares in the company had soared on the Bombay Stock Exchange before falling back last week.

Sales rose by 14 per cent to Rs 7.03bn in the year to July, but pre-tax profits were down to Rs 134.2m from Rs 212.0m and net earnings were Rs 134.2m against Rs 212.0m.

Southern Sun hit by higher interest bill

By Jim Jones in Johannesburg

SOUTHERN SUN, South Africa's dominant hotel chain, fell into a pre-tax loss in the half-year to September and has passed its interim dividend. Its room occupancy rate fell to 55 per cent from 62 per cent.

After a substantially higher interest bill, the pre-tax deficit was R1.6m ($621,000) against last year's R10m interim profit.

Mr Meyer Kahn, the chairman, attributes the higher interest bill to the April acquisition of the country's Holiday Inn chain. That acquisition made Southern Sun the largest South African hotel group.

After tax allowances, first-half earnings fell to 1.6 cents a share from 20.5 cents. Last year's interim dividend was 14 cents.

Mr Kahn expects seasonal factors to enhance second-half earnings but does not believe that this year's profits will match last year's. He says that forecasting is extremely difficult in the present uncertain socio-economic environment.

Southern Sun is controlled by South African Breweries.

● Plascon-Evans (Plevans), South Africa's largest paint maker, suffered from lower sales volumes and substantially higher raw materials costs in the year to September 30.

Although turnover rose by 5.8 per cent to R263.6m pre-tax profits were almost halved to R15.7m from R30.7m.

Sales were badly affected by lower levels of activity in the building and automotive industries, and the directors say that the weakening rand led not only to higher raw materials costs but also to higher interest charges on debt raised to finance more expensive inventories.

Earnings fell to 33.5 cents a share from 62.8 cents and the dividend has been cut to 15 cents from 28 cents.

● Romatex, one of South Africa's leading textiles manufacturers, says unrest and the state of emergency have added trading difficulties. In the year to September, turnover declined by 5.6 per cent to R435m while pre-tax profits dropped by more than two thirds to R11.4m from R35.2m.

The directors say trading declined until February and the stability between March and June was ended by the effects of the unrest. They are pessimistic on immediate prospects, saying that the socio-political climate is unlikely to improve or consumer confidence recover.

Earnings per share fell to 39.0 cents from 95.5 cents and the year's dividend has been cut to 15 cents from 40 cents.

Romatex and Plevans are both controlled by the Barlow Rand industrial and mining group.

GMF Robotics takes the lead in a fast growing industry

BY IAN RODGER

FEW COMPANIES have become the largest in their field only two years after going into business. But that is the achievement of GMF Robotics in the fast-growing robotics industry.

GMF began trading in June, 1982 and achieved sales of $16m in that year. Last year, sales reached $102.8m, more than double those of Cincinnati Milacron, number two in the US. Moreover, GMF is almost unique among robot makers in being profitable.

This year, revenues will be close to $200m, which GMF believes will put it comfortably ahead of Asea of Sweden, the European leader. Asea's industrial equipment division, of which robots form a substantial part, had sales of SKr 3.5bn ($442m) last year. Asea sold nearly 1,500 robots in 1984 compared with GMF's 1,208.

Of course, GMF, which is based in a suburb of Detroit has a couple of edvantages. One of its parents is General Motors, the largest user of robots in the US. The other is Fujitsu Fanuc, the leading Japanese electrical goods and robot maker.

"We chose our parents well," says Mr Eric Mittelstadt, president of GMF, with a smile. As he tells it, the creation of GMF arose from GM's previous unhappy experiences with buying robots from outside suppliers and the knowledge that it would probably want to install about 20,000 robots in its factories by the end of the 1980s.

For its part, Fanuc was getting nowhere in efforts to sell robots in the US through its General Numeric joint venture with Siemens of West Germany. Numeric was set up mainly to distribute Fanuc numerical controls for machine tools in the US and had no direct contacts with end users or application engineers.

The idea behind the joint venture was that Fanuc would provide low-cost hardware, while GM would put in its Flexible Automation Systems (FAS) unit, a group of 60 people that had been working within the group on developing robot systems for several years. It looked like a winning combination, yet GMF was coming into a sector that has been hard going for many companies. Cincinnati, for example, has made profits on its well-established robot business in only one of the past 11 years.

In the event, the venture has been extremely successful. Competitors complain that GMF has an unfair advantage when dealing with GM as a customer, and it is true that more than half its turnover comes from GM. But Mr Mittelstadt, a 49-year-old GM careerman who has been president of GMF from the outset, denies that there is any preference. "We heve the motivation of the huge GM market but we do not have e lock on it. All we can do is bid."

He also points out thet GMF is the industry leader, not only in the automotive sector, but also in non-automotive markets for robots. Three-quarters of its 400 customers to date are outside the automotive industry. "GM wanted us to be a leader in areas outside the eutomotive industry. That way, they will know we are competitive."

Mr Mittelstadt believes the main reason for GMF's strong start is its IBM-like commitment to cusomers. "Our credo is total customer support"

Some critics also claim that GMF is living largely on low-cost robots imported from Japan, end it is true that the high value of the dollar in the past three years has made Fanuc's robots, numerical controls and electrical drives even more competitive than they already were. But Mittelstadt says that 60 per cent of the venture's added value is put on in the US, in the form of system design, software and peripheral equipment. Robots themselves ofteo account for only 15 to 20 per cent of the value of the systems GMF sells.

Another, less noticed reason for the venture's success has been its inheritance from GM of a numerically controlled system for continuous painting of cars and trucks. When FAS became part of GMF, it was installing the first production model at a GM plant in Atlanta. The system proved effective and has since become popular in the automotive industry. GMF expects to deliver 200 of them this year to various automotive companies, including BMW and Daimler Benz in West Germany. Vehicle painting systems now account for about a quarter of GMF's revenues.

But whatever the importance of these factors, it remains a considerable achievement to have managed a fledgling business successfully. Last year, the company made its first profit, said to be between $2m and $3m, and another modest profit is expected this year.

Mr Mittelstadt believes the main reason for GMF's strong start is its IBM-like commitment to customers. "Our credo is total customer support. It includes epplication engineering, documentation, training, installation support, service and parts. That has been the key because what this business is abont is trying to reduce the risks for people in going into new technoloogy."

Somehow, GMF has been able to achieve this without sacrificing productivity. The venture's output is about $350,000 for eech of its 550 employees. But if there is any special reason for this, Mr Mittelstedt is not revealing it. "We get people who are excited about the business, and give them ao opportunity to do what they do best. The average age here is just over 30."

Today, GMF gets about 45 per cent of its revenue from sales of spot welding robots, mainly to the automotive industry. Another 25 per cent comes from vehicle painting systems. The rest of its sales are for meterials handling and assembly epplications. For the moment, the company's strategy for the future is to remain a full-line robotics company, but that could change. Although the robotics industry is still relatively young, there has already been a significant shakeout, and most analysts believe only a few companies will be able to keep up with technological developments in more than one specialised sector.

Among GMF's recent technical developments are a programming language for robots, named Karel after the Czech pioneer in robotics, and an assembly robot that meets clean room standards for use in the electronics industry. The company is also e leeder in epplying vision systems to robots. Earlier this year, for example, it signed an agreement wtih Meta Machines of Oxford for the development of an arc welding robot thet combines Meta's laser-based vision system for tracking weld seams with GMF's robots.

Until now, GMF has concentrated mainly on markets in the US. Its original agreement with Fennc gave it sales rights for Fanuc equipment in North America, South America, Australia, New Zealand end in GM factories throughout the world. Since then, it has gained non-exclusive marketing rights in most European countries with the exception of the UK, where the 600 Group has e liceoce to market Fanuc robots, and it has opened an office in Dusseldorf.

It remains to be seen whether GMF can maintain the remarkable momentum of its first three years. Mr Mittelstadt seems confident, but he also acknowledges thet there are tough battles ahead. "Several of the Japanese companies are formidable competitors. And there are others, such as IBM and General Electric, that have the potential."

UK COMPANY NEWS

Sainsbury exceeds City forecasts

BY LISA WOOD

SHARES OF J. Sainsbury, the food and homecare group, reached a high for 1985 yesterday with the group reporting a 23 per cent interim profits increase.

At £92.4m pre-tax for the 28 weeks to October 5 1985, compared with £75.1m, the group exceeded already high City expectations. The interim dividend is being increased by nearly 18 per cent from 1.4p to 1.65p.

Last night's closing share price was 364p, up 6p, after touching 372p earlier in the day. The previous highest price this year was 358p.

J. Sainsbury, with its 274 food stores, 26 Homebase DIY centres and majority stake in six Savacentres, is Britain's biggest food and drinks supermarket chain and increased its volume share of national business this year to 9 per cent of the market compared with 8.6 per cent last year.

Sir John Sainsbury, the chairman, said: "The trading performance is better than expected. The second half has started well and food price inflation will be lower than in the first half."

The results reflect Sainsbury's continuing aggressive food store opening programme, with five new supermarkets opening in the first half. Of total group sales of £1.83bn supermarket sales of £1.78bn show an increase of 13.9 per cent. Supermarket volume growth exceeded 9 per cent, of which 3 to 4 per cent was from supermarkets open for two years.

Retail profits increased by 18.7 per cent and the net margin percentage was 4.65—a record level for the first half. The company said: "Our prices have remained highly competitive and we have made further gains in productivity as well as providing better customer service at the checkouts."

Improved productivity has in part come with increased store size which now averages 27,000 sq ft in new stores compared with 20,000 sq ft six years ago. The five supermarkets opened this financial year give a net increase in sales area of 127,000 sq ft. The Guildford store's sales volume set a company record for its opening week.

Seven of the 10 stores to open in the second half will be trading before Christmas. This year's investment programme will exceed in real terms last year's £248m.

The Homebase DIY stores—two more are opening before Christmas bringing the total to 28—increased sales by 48 per cent to £48.6m. Despite high development costs profit increased from £0.3m to £1.6m. Sainsbury's which has supported liberalisation of Sunday trading laws for such centres, will undoubtedly benefit if the Government relaxes restrictions on Sunday trading.

Sir John Sainsbury, chairman

The three principal associates performed well and contributed more than double pre-tax profits of £7.2m pre-tax. The six Savacentres, which are effectively hypermarkets selling Sainsbury foods, DIY goods and textiles (the latter coming from the centres joint owner, British Home Stores), increased profits by 49 per cent. Sainsbury's said that Haverhill Meat Products, another associate, was once again showing good profits after trading problems last year mainly because of high pig prices.

Sainsbury's North American associate Shaw's, a private food retailer, achieved excellent results.

The 1984-85 distribution under the group's profit sharing scheme resulted in more than 1.5m shares going to over 11,000 employees who chose to take all or part of their distribution in shares rather than cash. Sainsbury's said as usual, no provision for profit sharing had been made in the first half and the level of profit share was dependent on the full year's results.

See Lex

Electrocomponents' 26% midterm surge

A NEAR 26 per cent advance in first half taxable profits, from £12.75m to £16.03m, is reported by the Electrocomponents group. But that growth rate is unlikely to be maintained in the immediate future.

Market conditions have become increasingly competitive, the directors point out. However, they are confident of continued progress for the rest of the current year and beyond.

Earnings have moved up from 6.86p to 9.37p per share, and the interim dividend is raised from 1.6p to 1.9p net. For the full year ended March 31 1985, the group made a pre-tax profit of £29.6m and paid a total dividend of 5.25p.

In the half-year ended September 30 1985, all the subsidiaries—principal activities are the distribution of electrical components and the leasing and sale of computer systems and software—achieved sales revenue growth and each contributed to profit. Turnover increased by 21.5 per cent, from £73.67m to £89.54m.

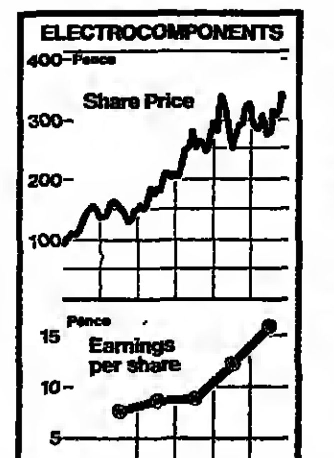
RS Components achieved efficiency gains from consolidation within its new Weldon facility.

At September 30, the group's net bank balances stood at £9.5m, compared with £4.2m a year earlier.

On October 1, Electrocomponents set up two new US subsidiaries—S & S Electronics and Lowell Systems based in Boston—to acquire assets from two existing businesses at a cost of £5.6m. Existing management remains and the investment will be financed by a medium-term bank loan.

S & S is engaged in the distribution of computer peripheral equipment in New England, New Jersey and New York; Lowell supplies bar code labeling and tracking systems from offices in New England, New Jersey, Chicago and Toledo.

The half-year's profit included interest received of £743,000 (£568,000). Tax takes £6.4m (£5.72m) and minorities £71,000 (£47,000), to leave the available profit at £9.55m (£6.99m).



● comment

Electrocomponents has done it again — announced better than expected figures but scuppered their impact with a cautious statement about the future. The shares fell 12p to 333p after the news having outperformed the market by 10 per cent over the past month. Nevertheless, despite the customary caution, Electrocomponents should still make £35m to £36m pre-tax this year with perhaps £40m to £42m the year after. In the interim period pre-interest margins improved by a half point, thanks to the new Weldon facility which did not really start humming until April. Further margin improvements are possible and even though competitive pressures have emerged in recent weeks, price is not a serious problem. And p/e of 16, assuming a 40 per cent tax charge, is not expensive for a company that has recently averaged 30 per cent profits growth even if that drops to under 20 per cent in the next few years.

Rosehaugh behind but assets expand

TAKING INTO account much heavier administration costs and interest charges, the investment holding and property development group Rosehaugh has turned in lower profits for the year ended June 30 1985.

At the pre-tax level they are down from £3.4m to £2.7m and earnings per £1 share have fallen from 31.8p to 22.5p. The dividend, however, is stepped up to 3.92p net (3.36p).

Mr Godfrey Bradman, the chairman, says the year has begun to reflect the rewards of the pursuit of asset growth over recent years. Net assets attributable to shareholders at June 30 had surged from £18.86m to £51.35m, with fixed assets investments standing at £28.97m (£11.9m).

The increase reflects the valuations, for the first time, of 1 Finsbury Ave, EC, and 120 Church Street, New York, and the interests in Woolworth Holdings, but the latter has since been sold realising net proceeds of £20m.

Mr Bradman says Finsbury Ave represents the completed and fully-let first phase of a development of 500,000 sq ft gross of offices, to be completed in three phases.

Progress continues to be made by the principal trading subsidiaries which have recently made several purchases of development sites and other properties for their medium term programmes.

Plans are in band to give the group entire ownership of the 146 acres of land at Whiteley, Hampshire, held by Craftsmooth. This company is 50 per cent owned by Rosehaugh and 50 per cent by London Mercantile Holdings, the whole of which is currently owned by a number of Mr Bradman's family trusts.

Good progress has been made towards obtaining planning consent for residential development at Whiteley. The land has been independently valued at £6.5m and were planning permission now available it would be worth some £12.5m.

LMH also owns 670,066 shares in Rosehaugh representing 9.2 per cent of the capital, and other net assets with a value of £68,000.

Consideration for the acquisition of the balance of LMH will be the issue of 730,000 convertible deferred £1 shares in respect of the holding in Craftsmooth, and the allotment of 670,000 ordinary £1 shares in respect of the Rosehaugh shares held by LMH and the other net assets.

The convertible shares will not be listed but will be convertible at the holder's option into Rosehaugh ordinary not later than December 31 1990 by reference to 50 per cent of the net asset value of Craftsmooth at the date of conversion.

With a view to improving the marketability of the Rosehaugh shares, the directors propose they should be subdivided into 20p.

In the year ended June 30 the group made a gross profit of £6.56m (£5.71m) from a turnover of £27.22m (£26.43m). Other income came to £1.22m (£789,000). Administrativa costs £2.23m (£1.7m) and interest payable £2.84m (£1.4m).

Land Securities raises £100m

By Michael Cassell, Property Correspondent

Land Securities, the UK's largest property group, has arranged a £100m mortgage debenture issue to fund the next phase of its investment and development programme.

The issue, of first mortgage debenture stock dated 2025 et £92.899 per cent, was placed yesterday by Schroders. The price is payable as to £25 per cent on acceptance and the balance by January 31, 1986. Gross redemption yield at issue is 10.751 per cent and the stock carries a coupon of 10 per cent. Dealings are expected to start tomorrow.

Land Securities has a UK portfolio valued at over £2bn and has recently announced a series of property acquisitions and development proposals designed to maintain its investment programme and asset growth.

The group, which has over two-thirds of its property assets within the Greater London area, plans continuing improvements within its existing portfolio but is also embarking on a fresh phase of new projects.

It has recently acquired two office buildings in London's Fleet Street, plans a major redevelopment in Trafalgar Square and has submitted a planning application to build a 221,000 sq ft office scheme on the former general post office site near St Paul's Cathedral. The group is also stepping up its involvement in the development of retail warehousing.

Mr Peter Hunt, managing director of Land Securities, said that the group had recently committed itself to a large number of new schemes, together with some which had not yet been disclosed. He said much of the £100m raised had already been earmarked for new projects.

He added: "We felt this was the right time to raise the money, on reasonably favourable terms. We have been able to borrow at a lower cost than would be possible for the rest of the property sector."

Bishopsgate Insurance changes hands

The major Dutch insurance group, AMEV, is acquiring Bishopsgate Insurance, a UK-based non-life insurance company, from its present owners, the Worms Group, a French company, a Bain Dawes, the UK insurance broking group.

AMEV is putting up a total capital commitment of between £12m and £13m, which comprises the acquisition costs and an increase in Bishopsgate's capital base.

The acquisition marks a further stage in AMEV's planned development of its UK interests. It already has a strong involvement in the UK life market in both the traditional sector, through Gresham Life Assurance Society and the unit-linked through Gresham Unit Assurance. It recently expanded into the UK unit trust market with the formation of Gresham Unit Trust Managers.

Bishopsgate is a general insurance company based in Southampton with particular emphasis on motor, travel and marine insurance. It employs 250 people and its gross premium income in 1984 amounted to £65.4m.

Hepworth at £20m and changing name to Next

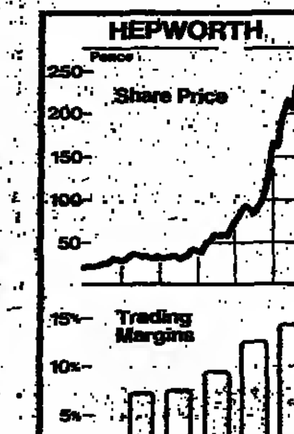
CONTINUING success of the Next chain has not only brought financial rewards to J. Hepworth & Son but is prompting the directors to propose using that name as the group's title.

With their announcement of the preliminary results for the year ended August 31 1985, showing pre-tax profits rising from £13.62m to £20.06m, they say because of the growing awareness in the minds of the public/City and the media of the name Next, they are asking shareholders to approve the use of that title for the group.

In the year, Next womenswear had an excellent 12 months and the success of Next for Men has meant rapid expansion, the chairman, Mr Michael Stoddard, reports. Both sides made an increased contribution to an advance in retail profits.

The £20.06m profit was at the top end of City expectations. Shareholders receive a final dividend of 2.75p, giving them 3.75p net for the year compared with 2.58p adjusted for last year's two-for-one scrip issue in 1983-84.

Turnover advanced by 34.8 per cent, from £108.33m to £146.05m, and the trading profit before interest and tax rose almost 52 per cent, from £13.66m to £20.75m. In this, retailing contributed £11.39m (£6.58m), manufacturing loss £494,000 (£434,000), property £5.11m (£3.04m) and share of non-consolidated subsidiary £4.74m (£4.48m).



Next Interiors, the home furnishing range, was launched successfully in August. During the year the "complete store" strategy has been developed, says Mr Stoddard, with womenswear, menswear, shoes and accessories, interiors, cafe and florist all trading alongside each other. "We will continue to expand this successful concept," he says.

Retail rationalisation costs, including the creation of Next Interiors chain, were offset against the surplus on property disposals in excess of last year's revaluation, leaving an extraordinary profit below the line of £2.15m (£461,000).

Net profit came to £11.79m (£8.19m) after tax of £8.27m (£5.43m), giving earnings of 8.73p (6.69p) per share.

With effect from September the group exercised its option to acquire the minority interest of 49.9 per cent in Club 24, the non-consolidated finance subsidiary, from Forward Trust. It also agreed to acquire Lord John and Werff Brothers from Raybeck at a cost of some £11.5m to be met by vendor placing of 4.57m Hepworth shares and cash. The businesses are engaged in retailing ladieswear and menswear from some 104 outlets.

See Lex

Gomme returns to dividend list

AS FORESHADOWED in May, Gomme Holdings, the maker of G-Plan furniture, is returning to the dividend list after a four year absence. Following an increase in 1984-85 pre-tax profits from a restated £1.53m to £1.72m, the company has declared a single payment of 2p net.

The directors report that compared with the poor start in 1984-85, there has been a marked improvement in demand. The company started the current year with a very satisfactory order book which ensures that the factories are working to capacity.

The full year result reflected an improvement in the second half, following the downturn in interim profits to £732,000 (£854,000). Last year's pre-tax profit has been restated with £18,000 added as a result of the adoption of SSAP 21 on capitalisation of finance leases.

Turnover for the 12 months to July 26, 1985 increased from £28.44m to £30.57m. Tax charge was higher at £140,000 (£13,000) giving an attributable surplus up slightly at £1.58m, against £1.52m. Last year, there was also an extraordinary debit of £90,000.

Borrowings fell from £3.05m to £1.52m in the year. Available tax losses of nearly £4m will mean profits earned will continue to be reflected in reduced borrowings, the directors state.

The company's freehold and long leasehold property, excluding a property bought during the year for £16,500, was professionally valued on an open market basis at £4m as at July 26, 1985. This figure has been incorporated in the accounts and the excess over the net book value on the same date of £1.16m has been transferred to a revaluation reserve.

● comment

Gomme Holdings' shares bounced up 5p to 57p, the highest level for a very long time, thanks to a strong second half profits improvement. The market has been further buoyed because almost none of this growth came from the controversial clawback on the company's overfunded pension scheme. For future years—possibly up to the end of the century—the affect of the recent Inland Revenue decree is that Gomme need contribute nothing to pensions. Each year this should save around £150,000 on costs. In addition the rest of this decade could well be tax free thanks to accumulated losses. Under such circumstances, and with gearing down from 48 per cent to 31 per cent, the return to paying a dividend after five years seems only just for the patient shareholders. The coming year promises to be the best since the halcyon days of 1976-77 In spite of the doldrums in the furniture trade and £2.1m pre-tax should be possible. This forecast puts the shares on a modest prospective multiple of 4, given a nominal 10 per cent tax charge. With a market capitalisation of only £7.4m, the company could be interesting to someone attracted by its tax and pension plusses.

TMD valued at £6.33m

BY RICHARD TOMKINS

TMD Advertising, a London company which buys advertising time and space in the media for its clients, is to become the first media specialist company to join the unlisted securities market.

Brokers Phillips & Drew are placing 1.1m shares in the company at 118p per share, giving it a market capitalisation of £6.33m.

TMD's business is to plan and buy advertising media on behalf of its clients with the aim of delivering the advertiser's message cost-efficiently to the maximum number of potential customers

It started in 1972 as a subsidiary of Kimpher, the holding company for a number of advertising interests. Initially it provided services for its own clients and for advertising agencies in the Kimpher group.

Mr David Reich, now chairman, was a co-founder of the business and became managing director in 1975. The directors acquired a 49 per cent interest in the company in 1978 and the remainder in 1982.

TMD was ranked 10th biggest purchaser of media space last year and says it is Britain's largest media specialist company.

Its customers include Rothmans (UK), Beecham Cosmetics, British Olivetti, Habitat and Burton.

The placing will raise £1.3m of which about £241,000 net will be new money for the company. The rest will go to the directors and their families.

Turnover in the year to August 31 was £34.7m against £26.2m and the pre-tax profit was £504,000 against £302,000. The company has declined to make a profits forecast because only two months of its year have passed. The historic p/e ratio is 21.4 after a tax charge of 45 per cent.

Ronald Martin placing on USM

Ronald Martin Group, an office equipment, furniture and stationery supplier, is coming to the Unlisted Securities Market via a placing by brokers Panmure Gordon & Co of 2.3m shares at 90p each, giving a market capitalisation of £6.8m.

The placing will raise about £2.1m. Of this, £389,000 net will be new money for the company and the rest will go to shareholders—principally Mr Martin Abramson, the chairman, and Mr Nigel Gordon, the managing director, and their families.

The group, based in Manchester, was formed in 1972 by Mr Martin and his wife Karen. Mr Gordon joined in 1976, initially as financial controller.

It has two divisions: Ronald Martin, which retails office furniture, stationery and business machines mainly through sales representatives, and RMS, which is a wholesaler of gift and commercial stationery.

The Ronald Martin division has grown organically and through acquisition. In 1983 it acquired the Manchester-based Fred Eyre Stationers and last year it acquired George Hellawell of Dewsbury.

The group says the purpose of the placing is to provide additional working capital to finance further expansion organically and through acquisition.

Turnover in the year to last December was £8.1m, against £4m, and the pre-tax profit, after directors' additional emoluments of £215,000, was £385,000 (£174,000 after emoluments of £118,000).

The group forecasts a pre-tax profit of £875,000 for the current year, putting it on a prospective p/e ratio of 12.2 after a tax charge of 41 per cent.

Men and Matters, Page 22

First dividend from Health Care Services

Health Care Services expects to pay its first dividend after six months in which it has seen greater profitability than it had expected.

The USM - listed group's £205,000 pre-tax profit for the first half to September 30 is more than double that achieved in the year to March 31 1985. Last year's figures were adjusted. A final dividend of 0.75p per share will be payable in August 1986.

Lord Constantine, chairman, says the rationalisation programme has been completed, and, in July, the group acquired the Normanhurst Home for the Elderly for a cash consideration of £322,000. The group sees this as an expanding area of health care

Both the medical personnel and hospital divisions are exceeding their target and the group is optimistic that this will continue.

In the six months to September 30, turnover rose to £3.47m from £2.98m in the same period last year. Operating profit was £269,000 against £141,000, and interest was £64,000 (£86,000). Earnings per share rose to 1p from 0.4p.

Lord Constantine is to resign as chairman after completing his agreed term in order to pursue other interests. Mr Graeme Hart is to succeed him.

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DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Bradford Property int.	4.5	—	3.25	—	8.5
Brikat	2.5‡	Jan 13	0.75	4	0.75
Electrocomponents int.	1.8	Jan 2	1.8	—	5.25
Gomme Holdings	2	Dec 31	Nil	2	Nil
J. Hepworth	2.75	Jan 2	1.83*	3.75	2.58*
Rosehaugh	3.92	Dec 8	3.36	3.92	3.36
J. Sainsbury int.	1.65	Jan 17	1.4	—	4.5
Tay Homes	3.1p‡	—	3.1p	4.5p	4.5p
W. A. Tyzack	1.1	—	1	1.7	1.5
UDO Holdings	2.5‡	Dec 18	—	3.75	—
Whitbread Invest int.	2.37	Jan 10	2.17	—	8.73

Dividends shown pence per share except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

UK COMPANY NEWS

Britannia launches counter-offensive

Britannia Arrow, the banking and investment group, yesterday launched its counter-offensive against the £212m takeover bid announced last week by **Guinness Peat,** the financial services company.

In a statement, Mr Geoffrey Rippon, the chairman, denounced GP's offer document as "misleading" in several respects, and he told shareholders it was "wholly inadequate."

He said that GP's calculation of the 40 per cent premium it was paying was "meaningless," and the claimed exit multiple of 22.6 times earnings failed to take account of either Britannia's sharp profits increase this year, or its extraordinary items.

GP's comment that its bid gave an increase of 30 per cent in dividend income was also misleading because it ignored the implication of Britannia's profit growth.

Mr Rippon said he could not given a dividend forecast, but he pointed out that Britannia's payout had risen from 1p a share in 1980 to 2.5p in 1984.

In response to GP's claim that the two groups would fit well together, Mr Rippon said: "To some extent our businessess are competitive rather than complimentary. That raises serious difficulties. It does not fit as well as they suggest."

The argument was not just about price, and it would also be in GP's shareholders' interests for the two groups to remain independent.

However GP warned Britannia shareholders in its offer document circulated yesterday against expecting an improved offer. It said "Our offer has been described as a "sighting shot"—this may prove to be an unwise assumption."

GP, which is offering 142.5p a share, pointed out that the Britannia share price was 64p just over a year ago. Only three weeks before its offer it was able to buy 2 per cent of Britannia's stock for 101½p per share.

"Six months, three months, two months and three weeks before we announced our offer Britannia shares could be bought for around 100p. We are offering a bid premium of more than 40 per cent over that level."

In response to Mr Rippon's comments, a GP spokesman said that the calculations had been made on Britannia's historic figures because the group had not produced either a dividend or a profit forecast. The commercial logic of the bid had also been implicity accepted by GP's shareholders when they approved its acquisition of 25 per cent of Britannia's shares last January.

Britannia's shares price eased by 3p yesterday to close at 149p as expectations of a counter-bid began to fade. Guinness Peat's share price fell by 1p to 75p.

Acceptances must be in by 3 pm on November 25.

Bestwood expands corporate activities

BY FRANK KANE

Bestwood, the fast-growing investment holdings concern, yesterday announced the expansion of its corporate activities on three main fronts:

● The £7.5m purchase of Nottingham based mining services company Foraky will be mainly funded through a £4.2m rights issue.

● The group's unit trust operations, under the Atlanta Fund Management arm, will be expanded with the £0.3m cash purchase of James Finlay Unit Trust Management.

● At the same time, Bestwood forecast that profits for the current year would be not less than £650,000, excluding any contribution from Foraky. This compares with £234,000 last time, of which 90 per cent came from Foraky dividends.

The size of the cash call came as some surprise. When the buy was first announced last July, Mr Tony Cole, Bestwood chairman, said that not more than £2m of the total price would be satisfied through the issue of new shares.

The rights — on the basis of four for seven at a deeply discounted 280p — was necessary, according to Mr Cole yesterday, because of higher working capital requirements following increased business at Foraky. He also pointed to the steep rise in Bestwood's shares since July, when they have roughly doubled.

The Foraky deal is regarded as the core of Bestwood's new industrial division. It is one of the leading ground freezing contractors in the UK, and at the moment is carrying out a major project for the National Coal Board in the new Vale of Belvoir coalfield in Nottinghamshire.

Work commenced on this contract last summer and is expected to run for two and a half years. Also last summer, a separate agreement was signed with the NCB to provide a minimum of nine exploration drilling rigs and crews, but this could rise to as many as 17 rigs and may be extended beyond its June 1987 expiry date.

Mr. Cole also indicated that ground freezing — in which water-bearing ground is frozen as a prelude to drilling and shafting — could be in demand following any decision to build a cross-Channel tunnel.

The rights issue has already been sub-underwritten by institutions, and is the second cash call for the purpose of financing an acquisition this year. Bestwood previously owned a 24.6 per cent stake in Foraky, and will now buy the balance from the previous owners, a Belgian company called Franki.

The profit forecast represents a 177 per cent increase over last time. Mr Cole said that the directors had not yet decided whether to consolidate Foraky's profit in the current year, but this would obviously increase the group outcome for 1985. In the year to June 30 1985 Foraky made £1m on turnover of £8.1m. Also at that date it had net assets of £8.8m and a surplus on valuation of fixed assets of £6.8m.

Mr Cole said that the dividend for the year would be held at 6p on the increased share capital. Bestwood shares closed yesterday at 410p, down only 5p despite the rights.

Marley bid rumours continue to grow

BY DAVID GOODHART

THE reorganisation at **Marley,** building materials group, continued to fuel bid rumours yesterday and the share price rose another 5p to close at 114p.

Sir Robert Clark, who took over as non-executive chairman in May, strenuously denied rumours that the Aisher family is planning to sell its 15 per cent stake.

"We are going through a major strategic re-think at the moment but the family is in full agreement with what is going on and are not discussing a sale of their stake," he said.

However he was less firm in dispelling rumours of a possible sale of Marley's DIY subsidiary, Payless. "Its future has not yet been decided upon," he said.

It is understood that Marley is looking for a chief executive: The previous management structure did not include the post.

Woolworth and Norcros have been mentioned as possible bidders for Marley or its subsidiaries. Woolworth said last night: "We never comment on market rumours."

In the first six months of 1985 Marley saw its pre-tax profits fall from £9.66m to £5.14m.

Bassett in £0.86m buy

Bassett Foods announced yesterday that it has bought the goodwill, trade marks and stocks of Anglo Bellamy from Rowntree Mackintosh for £860,000, inheriting a further £330,000 in debts.

The sale was agreed in principle in September. Anglo-Bellamy, which made a £1m loss last year, makes bubblegum, Beech Nut chewing gum, Pontefract cakes and a number of children's confectionery lines.

Chester Waterworks in offer by tender

Chester Waterworks Company yesterday announced the offer for sale by tender of £1.5m of 8 per cent redeemable preference stock 1992.

The issue, which is underwritten by brokers Seymour, Pierce & Co, offers a conventional gross yield of 11.42 per cent at the minimum tender price of £100.

The fully grossed up franked investment income yield of 12.44 per cent compares with 11.44 flat and 10.74 redemption on Exchequer 12½ per cent 1992, which is the closest equivalent gilt-edged issue.

Chester Waterworks Company was incorporated in 1826 and supplies water to a population of about 112,000 over 132 sq km of Cheshire and Clwyd under an agreement with the Welsh Water Authority. At December 31 it had net assets of £5.1m.

The purpose of the issue is to raise funds towards the redemption at par of £2m of 9 per cent redeemable preference stock 1985 at the end of next month.

The offer closes at 11 am on November 13. A deposit of £10 per £100 nominal must accompany each tender and the balance is to be paid on or before December 19.

The last waterworks issue was by Eastbourne Waterworks Company which offered £2.75m of 8¾ per cent redeemable preference stock 1995.

● **comment**

Chester Waterworks' offer carries with it the prospect of an attractive yield in conventional terms. On a franked investment income yield basis it looks still more tempting and among stocks redeemable in seven years there is nothing to beat it. Being a small issue, however, it will tend to find its way into firm hands and stay there fore the duration. Seymour, Pierce's experience in these matters suggests that the offer is pitched at a price which will see it go to a premium of between ½ and 1 point, so successful tenders will be in that range. It is not an issue geared to the small investor, who would not benefit from the franked investment income yield. Those who bid regardless should perhaps be reminded that with waterworks company tenders, stock is issued at the price investors go in for—there is no striking price.

COMPANY NEWS IN BRIEF

RESULTS

JACKSON GROUP, the East Anglian-based construction and industrial services concern, made pre-tax profits of £428,000 (£444,000) for the six months to June 30 1985, on £14.51m (£15.21m) turnover. The group aims to at least attain 1984 performance levels for this year. The interim dividend is 1.2p (same). The company's shares are traded on the over-the-counter market made by Granville and Co.

BISICHI TIN, metals and minerals dealer and investment company, saw pre-tax profit fall to £40,000 from £42,000 in the six mooths to June 30. Gross income was £106,000 (£133,000), an dtax was £13,000 (£15,000).

JOVE INVESTMENT TRUST: British American and General Trust holds 1,825m of income shares (12.9 per cent) and its parent company, Shires Investment, holds 225,000 income shares (1.6 per cent).

BRADFORD PROPERTY Trust raised pre-tax profits to £5.64m (£4.94m) in the half year to October 5 1985. Tax took £2.23m (£2.17m), and earnings per 25p share—based on net profits attributable to ordinary holders were 14.3p (11.58p). The net interim dividend is lifted to 4.5p (3.25p).

NORTHERN SECURITIES Trust increased net asset value per 25p share to 199.8p (184.4p) as at September 30 1985. Gross income for the six months period was £825,894 (£403,658) and pre-tax profits £243,972 (£154,281). Earnings per share came to 1.45p (0.88p) and the net interim dividend is raised to 0.7p (0.67p).

PARKER KNOLL profits for the first few weeks of the current year were higher than for the comparable period last year, Mr Martin Jourdan, the chairman, told the AGM. Its textile merchanting companies continued to perform well and furniture order books were healthier.

LONDON & ASSOCIATED Investment Trust reported pre-tax profits for the first half of 1985 up from £159,000 to £193,000 on gross income up at £418,000 (£285,000). Earnings per 10p share were 0.73p (4.47p) before extraordinary items, and as usual there is no interim payment.

DERWENT VALLEY Holdings, property investment company, saw pre-tax profits improve from £26,145 to £37,130 on turnover up at £86,880 (£51,951) in the six months to the end of June. The interim dividend is unchanged at 15p. The tax charge was £11,000 (£7,800).

YEARLING BONDS' interest rate for this week's issue is 11⅛ per cent, down ⅛ of a percentage point from last week, and compares with 10⅞ per cent a year ago. The bonds are issued at par and are redeemable on November 12 1986. A full list of issues will be published in tomorrow's edition.

BIDS AND DEALS

BRASWAY rights acceptances have totalled 2,174,585 shares (93.75 per cent of the issue). The balance has been sold in the market.

MAGNETIC MATERIALS Group offer for sale of just under 5m shares closed oversubscribed yesterday morning.

HEWDEN STUART, the Glasgow-based plant hirer and seller, has decided not to go ahead with its planned £1.1m acquisition of the Harrison Hire Company. Mr Alistair Deakan, Hewden finance director, said there had been legal complications.

AULT & WIBORG'S discussions with Sherwin-Williams of Cleveland, Ohio, regarding the possible sale to them of the company's automotive paints operations have been concluded since the parties were not able to agree terms.

HEYWOOD WILLIAMS Group, aluminium and glass specialist, has acquired Birmingham Powder Coatings, manufacturer of powder coat paint finishing. The purchase consideration is the issue of 800,000 new Heywood Williams shares, of which 400,000 have been placed at 147p per share, and £12,000 cash. Based on the placing price, the deal is worth £1.18m. Birmingham Powder made a profit of £287,000 in the year ended March 31 1985.

JAMES NEILL HOLDINGS, the hand toolmaker which is bidding £13m for Spear & Jackson has launched another appeal to Spear's shareholders to accept its offer. The two companies were an excellent match and together would form a British group with an excellent future, Mr Hugh Neill, the Neill chairman, wrote. Spear rejected the Neill arguments as containing nothing new and said it did not want to take on the problems besetting Neill.

TECHNICARE International, a subsidiary of Turriff Corporation, has agreed to purchase 49 per cent of Bellman Computing with options to bring the total shareholding up to 85 per cent by 1988.

THE MERGER between Crest Nicholson and C. H. Pearce & Sons is not to be referred to the Monopolies Commission.

TELEPHONE RENTALS has received acceptances in respect of 5.45m shares (93.11 per cent of the issued share capital) of Cass Group, USM-quoted paging equipment maker. The offer is now unconditional and will remain open until further notice.

CHANNEL HOTELS and Properties has increased its holding in Alelbone and Sons, footwear manufacturer and retailer, to 438,500 ordinary shares (6.03 per cent).

BENNETT & FOUNTAIN Group has bought Queensway Electrical, a wholesaler, for £100,000 plus stock at valuation and Piercys (Electronics), retailer, for £5,000.

DOLAMORE HOLDINGS has signed agreement to buy the Virani Magpie Soft Drinks business from Varani Group UK.

INDEPENDENT Newspapers' associate companies in the Noble Group have agreed to sell three radio stations in California, US, for a total of \$45m (£31m) from which Independent is expected to realise \$12m.

MACFARLANE GROUP (Clansman), holding company with packaging and printing interests, has acquired Lancashire Box, a container maker and distributor, for £550,000. The consideration comprises £78,450 in cash and the issue of 371,299 ordinary shares.

BARROW HEPBURN GROUP, industrial holding company, has sold its loss-making subsidiary Seamord, a wholesaler of hand-knitting yarns and knitted garments, to Wlabourne (Holdings) for £75,000.

UK COMPANY NEWS

Brikat exceeds budget with advance to £1.3m

Brikat Group, the USM quoted business accounting software group, has achieved record expansion of sales and profits in its second year as a public company.

With turnover more than doubled at £8.28m, against £3.55m, pre-tax profits jumped from £726,000 to £1.28m for the year to July 31 1985. The directors say the profit achievement exceeds their own budget.

They are recommending e final dividend of 2.5p net making a total for the year of 4p, compared with e single payment of 0.75p previously. Stated earnings per 5p share increased from 8.6p to 14p.

The growing demand for business microcomputers and software referred to at the interim stage has continned throughout the year.

The directors say the group's balance sheet remains strong, despite the significant resources absorbed by acquisitions.

The principal emphasis of the group's ectivities dnring the year was in providing an integrated range of software, microcomputers, consumables and maintenance services to the business microcomputer marketplace.

The group has made considerable progress in its strategic development during the year and to this end, its present activities are now being organised into divisions in order to maintain effective growth over the next few years.

To assist in achieving this objective, the directors are actively seeking to recruit additional senior management.

The Pegasus range continues to provide the major part of group earnings, and this will continua for the foreseeable future.

However, the directors have identified other releted growth areas which should produce similar earnings opportunities in the near future.

The results of current research into new markets, both at home and internationally, will add new services and products to tha continuing success of the Pegasus range, the directors state.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Continental and Industrial Trust, Greig Shipping, Shiloh, WA Holdings.

Final:—Jessups.

FUTURE DATES

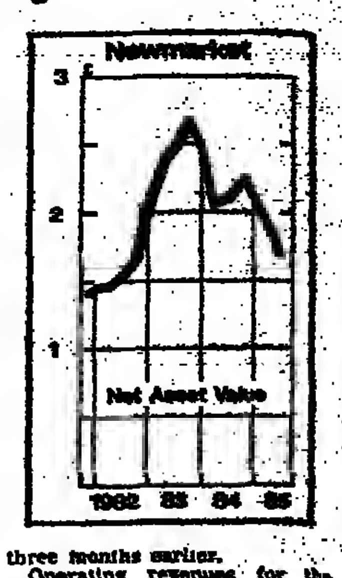
Interims:—

Allied Irish Banks	Nov 13
Craig and Rose	Nov 7
External Investment Trust	Nov 13
Great Portland Estates	Nov 12
PCT	Nov 8
Powell Duffryn	Nov 21
Reed Publishing	Nov 11
Staveley Industries	Nov 14
TR Natural Resources Inv. Tst.	Dec 2
Tesco	Nov 13
Yorklyde	Nov 7

Finals:—

Bankers Investment Trust	Dec 19
Fenner (J. H.)	Nov 26

Newmarket realises some investments for redeployment



Newmarket Company, the Bermuda-based venture capital concern, says that persistent unease over publicly quoted technology-based stocks and the steady requirement from existing investments for further funding continued in the third quarter to end-September 1985.

Against this background, Newmarket has taken the opportunity to realise those investments which have failed to live up to expectations, says Mr Alan Henderson, the chairman.

"Although this takes time, it releases funds which can be put to more constructive use in the support of younger, more promising ventures," he adds.

During the third quarter, a new UK investment was made in Procyon Research which represents the transfer of young talent and ideas from an academic background to the first stages of commercial development through the involvement of New Cambridge Research.

Another investment was made in Sepracor, a bioengineering company based in the US, which continues Newmarket's policy of co-investing with Venrock Associates.

At the end of the third quarter Nawmarket's net appraised value per 5 cents share of assets was $2.38 (£1.71) compared with $2.4 three months earlier.

Operating revenues for the nine months to end-September amounted to $329,000, against $884,000. Expenditure was $1.6m compared with $1.67m, and after minorities there was a net loss of $861,000 ($882,000) excluding realised portfolio gains. Net loss per share was unchanged at two cents.

Tay Homes profit hit by pit strike

The effects of the miners' strike and increased competition on Yorkshire-based Tay Homes limited growth and squeezed margins.

Pre-tax profits for the year to June 30 fell to £647,000 from £1.02m last year. The USM-listed company is paying a final dividend of 3.1p, making 4.5p (same) for the year.

Mr Trevor Spencer, chairman, and Mr Norman Stubbs, joint managing director, have again waived their dividends, as stated in the prospectus at the flotation, which helps conserve the company's cash reserve.

Overbeads and interest payments were higher at £881,000 (£674,000) and £542,000 (£249,000) respectively. Land sales were nil, compared with £111,000 previously. Earnings per share fell to 7.1p from 11.6p.

The decision to create a wider spread of establishing e company in Scotland, has proved worthwhile.

The present year has started satisfactorily, and the board feels that the company's future can be viewed with confidence.

Acquisition helps UDO to almost doubled profits

PRE-TAX PROFITS almost donbled for UDO Holdings in the year to the end of July, 1985. And in line with the forecast at the time of its coming to the USM in October last year a total dividend of 3.75p is to be paid with e recommended final of 2.5p.

On turnover up by 38 per cent from £9.15m to £12.65m taxable earnings improved to £1.55m, including e contribution of £249,000 from Sime, Malloch in the three months since it became a subsidiary. Pre-tax pro8ts for 1983-1984 were £806,000.

Mr Terry Rutter, chairman of this drawing office supplies retailer and reprographic specialist, says thet the present year started well, prospects were extremely encouraging and be looks forward to another excellent year.

Steted earnings per 10p share were 15.14p, up 79 per cent from 8.47p.

Mr Rutter says that the year was one of considerable activity. Three new outlets were opened in England, the Cheltenham branch moved to new lerger premises and in April Sime, Malloch, market leader in Scotlaod in retailing drawing office supplies, diazo printing end general reprographics, was booght for £2.76m.

W. A. Tyzack ahead

W. A. Tyzack, Sheffield-based engineering components maker, has increased pre-tax profits for the year to end-July, 1985, from £250,793 to £282,507. Second-half profits reached £157,146 against £140,303.

An increased 1.1p final dividend lifts the total for the year to 1.7p (1.5p). Stated net earnings per 10p share were down from 3.38p to 3.26p after substantially higher tax of £119,713 (£81,184).

Turnover moved ahead by £457,493 to £6.73m. Extraordinary items added £47,840 (debit £20,144).

Gable House acquisitions

Gable House Properties has announced three separate acquisitions for a sum totalling £1.925m, excluding expenses.

The company is to acquire a modern freehold nursing home in Winchester, Hempshire: a freehold development property in Westbourne Grove, London, W; and the freehold interest in the group's long leasehold office building, College House, St Albans, Hertfordshire.

Gable House is to issue e total of 1,241,666 new ordinary ehares as consideration for Winchester and Westbourne Grova end £354,100 nominal of 10¼ per cent convertible unsecured loan stock 1996-1999 as consideration for College House.

Gable House directors say that with planning permission available, Westbourne House will be a substantial addition — consideration is £800,000.

The amount payable for Winchester is £650,000.

Firstland Oil expands its Falklands interests

Firstland Oil & Gas, which holds the first oil prospecting licence granted for the Felkland Islands, has confirmed its long-term commitment to the area by buying the 220 sq m Douglas Station, which covers about 12½ per cent of East Falkland.

During its first year of operations the company bas carried out a series of geological studies. It intends to continue its activities on the islands end is having discussions with the Government.

The Douglas purchase will give the company a base on the Falklands.

For the 13 months to the end of June 1985, Firstland suffered a pre-tax loss of £97,219 on turnover of £154,849. As it was incorporated only in May 1984 there are no comparative figures. With no tax charge the loss per sbare came out at 2p. It is not proposed to pay a dividend.

The year was marked, the directors say, by substantial investment to lay the foundations for the future. However the company ended the period with no bank borrowings.

It is intended to offset the high risk of the South Atlantic with exploration and production to the mature oil areas of the US. In Texas and Oklahoma it has added a little less than $3m (£2.09m) worth of proven reserves (unescalated and undiscounted) to the company's assets.

In the year e small profit was made before allowing for depletion, amortisation and depreciation.

Further exploration and development acreage is being sought and since the year end almost all the remaining interests in the Tounget lesse have been bought. That will bring immediate income.

Firstland also has interests in Australia in the Surat-Bowen basin where it has recently been given an authority to prospect by the Queensland Department of Mines.

THE CAR INDUSTRY

Dutch Volvo comes back from the brink

By Kenneth Gooding, Motor Industry Correspondent


The 480ES, which will spearhead Dutch Volvo's assault on the US market, and its chairman, Mr Andre Deleye

FIVE YEARS ago the only car producer in the Netherlands, a David in a world of automotive Goliaths, was on the brink of bankruptcy. Not only has it survived, but its recovery is a remarkable story involving the use of another manufacturer's name and distribution network, with major components such as engines and transmissions produced by a competitor and, as seems almost inevitable when a car manufacturer gets into trouble, a big injection of state funds.

But the Dutch Government's faith in its domestic car company increasingly seems justified. Last week, for example, the company, called Volvo BV but only 30 per cent owned by the Swedish group with the rest in Dutch hands, unveiled the first of a new range of medium-sized cars which will stand alongside its ageing 300 series and gradually replace them in the 1990s.

Dutch Volvo has come so far so fast that its management is already under pressure to return the company to the private sector by way of a stock market flotation. However, Mr Andre Deleye, the chairman, says he wants to see if the new models—predictably called the 400 series—live up to expectations before asking private investors to put up their cash.

As recently as 1980 the company suffered a loss of Fl 100m (£23m) which caused yet another crisis in the history of an organisation which started out as the car business within the Daf group.

Last year Volvo BV made a 3 per cent return on capital—with a net profit of Fl 18.235m, up from Fl 14m in 1983—and Mr Deleye's objective is to build that up to a respectable 10 to 15 per cent return by 1990.

Much will depend on the new range of cars.

Dutch Volvo has decided to start with the top model in the range, the 480ES, then steadily introduce other 400 series vehicles so that eventually there will be three, four and five door hatchbacks and saloons with a variety of engines and transmissions.

The top model—a three-door, four-seat hatchback which looks much more like a Japanese sports coupé than any of the rather angular Swedish or Dutch Volvos seen in the past—will take the company into the US for the first time.

Dutch Volvo has set itself very modest targets for the 480ES. It wants to produce 35,000 a year, once output reaches a peak, but intends to export 25,000 of them to the US.

To put that into perspective, in 1960 the company sold only 69,000 cars. Last year it sold a record 106,500 and in 1985 expects to retail about 110,000 compared with a current annual capacity of 150,000. The best market is the UK, with 1984 sales of 35,000, followed by the Netherlands (18,300), Sweden (10,400), France (9,300) and West Germany (6,000).

Although Dutch Volvo is a minnow compared with major European companies such as Fiat, Ford, General Motors (Opel-Vauxhall), Volkswagen, Renault and the Peugeot-Citroen-Talbot group, each of which produces well over 1m cars a year, its 1984 output puts it in the same league as Italy's Alfa Romeo (200,000 cars last year) and Saab of Sweden (102,000 cars).

To make its entry into the US, planned for late 1987, Dutch Volvo will use the Swedish Volvo dealer network which is now revving at top speed and should sell over 100,000 cars there this year out of a total production of 285,000.

The Swedish company took a majority stake in Dutch Volvo in 1976 after the oil supply crisis had left the world wondering if the large cars Volvo was producing in Sweden had any long-term future. The 300 series cars, already designed and developed by Daf, were refined and some Volvo features added.

Thus Volvo dealers in Europe had a smaller and less expensive model to sell at a moment when there was a hiccup in demand for big cars. Although in the early stages neither the Swedish or Dutch companies made any profit on the 300 series, it stopped dealers deserting to other marques—particularly to the Japanese who were making headway in the late 1970s.

Swedish Volvo spent more than Fl 300m on its new Dutch subsidiary before deciding it could not bear the mounting losses while its own financial position was under strain.

In the early spring of 1981 the Swedish management got together with Dutch government officials to hammer out a new package of ownership and aid.

The Dutch Government was already involved because, since the 1976 takeover, it had a 45 per cent shareholding in Volvo BV. And not only jobs were at stake, the company was a major exporter. (Last year 72 per cent of Dutch Volvo's turnover was generated outside its home market and the 300 series cars alone accounted for exports worth Fl 235m.)

But it was by no means a foregone conclusion that the state would be willing to bail the company out. The giant RSV shipbuilding and engineering group was on its way to bankruptcy, taking with it Fl 2bn of government support while the Hoogovens steel group was asking for Fl 1bn. Any other company seeking state aid had to show that it had a viable long-term plan and was in a growth business.

This tough approach was echoed in the new Volvo BV management. Mr Deleye, a Belgian civil engineer who was a teacher before joining the motor industry on the production side, recalls: "I made it clear that Volvo BV was not going to be run as a job-creation organisation but as a profit-oriented business.

Volvo BV was promised its money, a total of Fl 618m over the years to 1986 to be spent on the development of a new range of cars and the capital investment needed for them. Some Fl 460m would be injected by the state, mainly through the National Investment Bank (which now owns 49 per cent of Dutch Volvo) with Swedish Volvo finding the rest.

Under the terms of the agreement, Dutch Volvo continued to use the Volvo name and distribution network. But there was a subtle change of emphasis in the relationship between the companies. No longer was the BV management under the direct control of the Swedes but it had to make its own way—checking with Swedish Volvo only after formulating its plans.

Dan Werbin, Swedish Volvo's marketing director, says that the partial divorce from his company sparked off renewed energy and enthusiasm at Volvo BV which might not have occurred if it had remained a subsidiary.

In line with Mr Deleye's warning that Dutch Volvo could not be run as a welfare organisation, 500 of the 6,000 employees were made redundant in 1981. But as the company has recovered, it has recruited 220 engineers for the new car range—taking the total to 750—and others for its spare parts operations so that by the end of last year the payroll totalled 6,330.

The 400 series range was designed by a Dutch Volvo team which had to compete with outside competitors from Italy. Although early development six years ago took place in Sweden, since 1981 it has been a Dutch project, using some of Swedish Volvo's facilities as well as engineering help from consultants. For example, Volvo BV used Lotus Engineering in the UK as a "sounding board" to check ideas on braking, ride and handling and also to complete work on noise and vibration problems.

In the late 1970s Swedish Volvo signed a technical co-operation deal with Renault, the state-owned French group, to use its small-car, front-wheel-drive technology. As a result Renault engines and transmissions were used by Dutch Volvo in the 300 series cars.

For the 400 series range, Volvo BV asked Porsche Engineering in West Germany to develop a "new" engine from the existing Renault parts. This gives Dutch Volvo its own, distinctive power unit in the 400 series while enabling Renault to produce the engines on existing tooling under an arm's length commercial supply contract.

However, the Renault transmission to fit what is the first front-wheel-drive Volvo has been modified to such an extent that it is no longer interchangeable with the version used by Renault. It will be assembled by Dutch Volvo at its component plant at St Truiden, across the border in Belgium.

Mr Deleye says that should demand for the 400 series range reach 250,000—which gives a clear indication of the company's expectations — it would be worthwhile for Dutch Volvo to take over assembly of the engine as well.

The company made one important miscalculation. It needs automatic transmission for the versions of the 400 series to be sold in the US and designed the car around a revolutionary, four-speed unit being jointly developed by Renault and Volkswagen. However, its production is well behind schedule, perhaps by a year. So Dutch Volvo made a last-minute switch, involving much late-night engineering work, to a four-speed unit already being produced by ZF of West Germany.

In the past three years Dutch Volvo has been investing in research and development at the rate of around 9 to 10 per cent of turnover (which reached Fl 1.8bn last year, up from Fl 1.57bn) well above the industry average but, of course, much less than the major car groups in absolute terms.

It has modernised its car assembly plant at Born in the southern province of Limburg where a new paint facility—which can cope with 200,000 cars a year—has cost Fl 200m alone and another Fl 20m has been spent on 80 robots.

As Mr Deleye maintains: "Volvo BV was practically bankrupt in 1980, so we have come a long way."

Now everything depends on the new 400 series range and, particularly, on the 480ES which will be put on sale progressively in European countries from March next year before making its debut in the crucial US market. Initial reaction from the States has been enthusiastic. The US Volvo company believes it could sell 10,000 to 15,000 in the first year and, if the model finds acceptance, swallow all the predicted 35,000 annual output. The 480ES will be sold in two versions in the US, one at a lower price than any other Volvo—$10,000 to $11,000—and another at $12,000 to $14,000, just below the price of the cheapest four-door Swedish-built car.

Not only should the new Dutch model set total Volvo car sales in the US rolling towards 150,000 to 160,000 in the 1990s, but it will also play a big part in changing the Volvo image. As Dan Werbin says: "We don't want to be seen only as producers of cars that are boringly good."

BASE LENDING RATES

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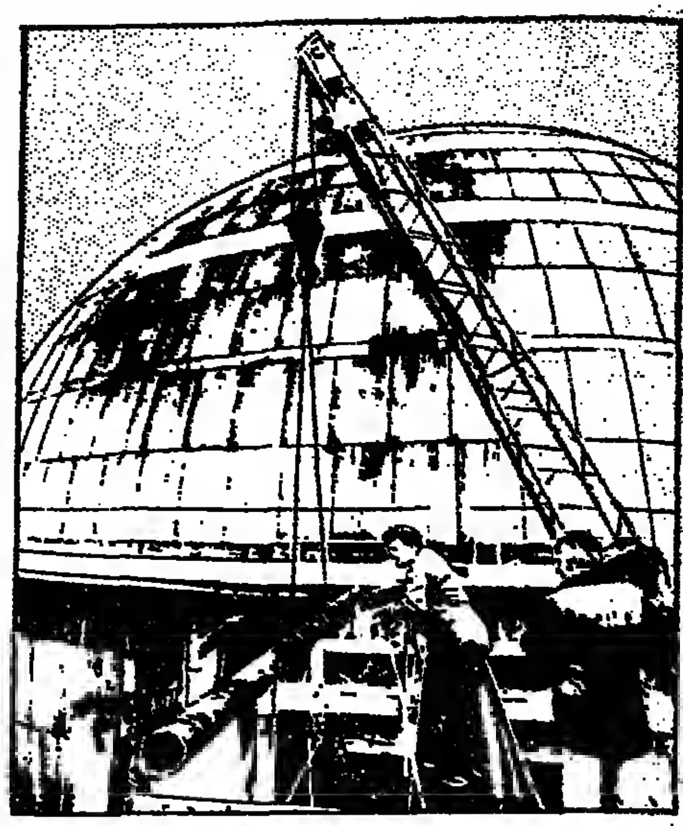
RESOURCES REVIEW

Hazards of dismantling a gas-cooled reactor

By Maurice Samuelson



Sellafield: this building will be demolished

TWO MASSIVE concrete chimneys, from which smoke never appears, dominate the UK Atomic Energy Authority's site at Sellafield (alias Windscale), on the Cumbria coast.

They are the sinister relics of the two atomic "piles" once used by the authority for making weapons grade plutonium out of uranium. After one of them caught fire in 1957, it was decided not to knock them down but to seal them off for what then seemed an indefinite period, while their radioactivity slowly decayed and their danger to life declined.

However, as the research arms of the UK's nuclear industry, the authority is determined to demonstrate that although nuclear power continues to take off as a cheap and efficient source of electricity, it should not be regarded as a Frankenstein which cannot be controlled.

That is why over the next decade or so it will invest much of its manpower and effort at Sellafield into dismantling the prototype of Britain's chain of advanced gas cooled reactors (AGRs) which, until well into the next century, will be producing the bulk of the country's nuclear electricity.

Known as the WAGR (Windscale advanced gas-cooled reactor), it has an electrical output of 30 Megawatts. Built between 1958 and 1962, it was used for about 19 years to test a wide range of fuels for nuclear industries in many parts of the world. But it became redundant for scientific use once the present chain of commercial AGRs was established, and as a generating unit it was also superfluous to the requirements of the National Grid.

By the time the reactor was finally switched off in 1981, the authority had drawn up a decommissioning plan and had decided to carry it out. Since then the fuel has been removed from the reactor and much of the non-radioactive demolition work has started. However, the core of the reactor is still active and the subsequent highly delicate stages will be followed carefully by the generating authorities in England and Scotland, eager to learn lessons for the future.

Besides demonstrating how nuclear reactors can be taken apart, the findings of the decommissioning team are likely to influence future methods of building power stations and help to develop the equipment for dismantling them when they reach the end of their working lives.

The de-commissioning is being carried out under the direction of Dr Harry Lawton, director of the authority's Windscale laboratories, who says that the crucial radioactive operations are due to take place between 1989 and 1991, with a view to replacing the reactor by a greenfield site by 1995.

However, this timetable is not immutable. "It is much more important to find acceptable solutions to problems as they arise and take time to do so, rather than do a job to a fixed timescale which provides no good guidance to later decommissioning operations," says Dr Lawton.

Mr Tony Freeman, the decommissioning manager, sees the job as a three-stage operation. Stages one and two, which have already begun, involve removing the fuel from the reactor where the heat reaches 1,250 degrees C, shutting the plant down and installing surveillance procedures.

Stage Three includes dismantling everything else—the spherical, steel-plated building, with a height and diameter of 41.5 metres, and weight of 850 tonnes; and the steel reactor vessel weighing 250 tonnes, and its 210 tonnes of graphite lining.

The active material will be sealed inside 8 ft-high reinforced concrete cubes with 1 ft thick walls. This will be carried out in a special packaging building already under construction at the side of the reactor. The cubes are designed for dropping in the Atlantic but, because of the recent international convention outlawing deep sea nuclear dumping, they will now probably end up on a land site.

The authority is about to order a special machine, incorporating robotic cutting and handling tools which will be controlled by operators from a shielded position. Its specifications were drawn up by a committee headed by Mr Freeman.

For the scientists, engineers and manual staff who have spent much of their lives on the WAGR its systematic destruction prompts a mixture of sadness and of pride.

Mr Robert Gallie, an AEA scientist who co-authored the 1957 scientific paper which led to the building of the WAGR, was its research manager between 1959 and 1981. Since then, he has been based at the authority's headquarters at Risley, near Warrington, and is due to retire at the end of the year. He is proud of the WAGR's contribution to cheaper nuclear power, but has no regrets about not being involved in the de-commissioning programme. As far as he is concerned, he says, he would be content to wait 50 years for its radioactivity to drop to safer levels rather than cut it up now.

However, other WAGR veterans openly relish the prospect of demolishing it. Tony Freeman's biggest regret is that, since he is due to retire in 1989, he will be leaving five years before the reactor site is due to become a green field. "But as I live just over the hill I hope they'll invite me back when they plant a tree on it," he says.

Most frustrated of all is 65 year-old Mr Ken Herbert, the oldest and longest-serving engineer still working on the reactor. One of its five shift-foremen, he is due to leave the industry at Christmas. "But I'm going 20 years too soon. It's just getting interesting for me."

It was partly because he felt so tied to the WAGR that the furthest he ever travelled from England was to the Isle of Man. Now for the first time in his life he has applied for a passport. "Once I've gone, I'll never come through that gate again," he says.

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FT COMMERCIAL LAW REPORTS

Change of employer not prejudicial to main contractor

MCGREGOR NAVINE (UK) LTD v BRITISH RAILWAYS BOARD AND OTHERS
Queen's Bench Division (Commercial Court): Mr Justice Bingham: October 31 1985

WHERE THE original employer under a construction contract fails to inform the main contractor that he has, by statutory novation, transferred all his contractual rights and liabilities to a new employer, he is not precluded from denying that he is party to subsequent proceedings under the contract if substitution of the new employer as party is in no way disadvantageous to the main contractor.

Mr Justice Bingham so held when refusing a claim by McGregor Navine (UK) Ltd, marine engineer, for a declaration that the British Railways Board was estopped from denying that it was the employer under a main contract for construction of a harbour ramp. The second defendant to the action was "SUKL," a wholly-owned subsidiary of the Board. The third defendant was "SHL," a wholly-owned subsidiary of SUKL.

["Novation" is the substitution of one contract for another on the same terms, but between one of the original parties and a new party.]

Section 7 of the Transport Act 1968 provides: "... the Railways Board ... may ... make schemes —(b) for the transfer of ... property, rights or liabilities ... comprised in a specified part of their undertaking ... to ... any wholly-owned subsidiary of the Board ..."

Section 1 of the Transport Act 1981 provides: "(1) ... the Railways Board shall have power to provide for the disposal ... of (b) the whole or any part of the undertaking of, or any property, rights or liabilities of, any of their subsidiaries ..."

HIS LORDSHIP said that with effect from 1968 the Board established a shipping and international services division (SISD) to manage its shipping interests and services, including a harbour at Parkeston Quay.

The SISD required a ramp to enable container traffic to drive on and off vessels berthed at the quay.

On November 1 1978 a contract was made between McGregor and the Board for the design and construction of the ramp. With the Board's approval Cleveland Bridge and Engineering was employed as sub-contractor to supply, fabricate and assemble the ramp.

Under the main contract the "employer" was defined to mean the Board. The engineer meant the Board's chief civil engineer, and the overall manager of the project was an officer of SISD.

During the later stages of negotiation the Board had been considering a transfer of some of its shipping interests and services from SISD to a new wholly-owned subsidiary.

Acting under section 7 of the Transport Act 1968 it prepared a scheme entitled the British Rail Shipping and Harbours Scheme 1979, by which it transferred to its wholly-owned subsidiary, SUKL, all the property rights and liabilities comprised in that part of its undertaking connected with shipping and international services.

Just as the Board's interest in the harbour at Parkeston Quay and the ships which operated the service were transferred, so there was a transfer of its rights and liabilities under the contract with McGregor for improvement of the harbour.

Accordingly, the scheme effected a statutory novation, substituting SUKL for the Board as employer under the contract.

McGregor was not told that the scheme had been made and knew nothing of it. *It did not* appreciate that any change of contracting party had occurred.

As time went on, officers of SUKL were increasingly drawn into discussions and negotiation with McGregor, but the question of who on the employer's side was party to the contract was never the subject of explicit discussion. McGregor believed it to be the Board, because it had contracted with the Board, and had never learned of any change.

Performance of the contract was much delayed. By the end of 1979 an impasse had arisen. Cleveland Bridge would not part with the ramp until it was paid. There was a dispute as to whether it was entitled to additional payment.

To resolve the problem a tripartite agreement was made between the Board, McGregor and Cleveland Bridge on January 17 1980. There was no reference to novation. The effect of the agreement was that Cleveland Bridge should release the ramp against payment by the Board on McGregor's behalf of £250,000.

The difficulties did not come to an end. Sub-contract proceedings between Cleveland Bridge and McGregor were compromised, but McGregor required arbitration against the Board. It was only when those proceedings became active in August 1984, that the Board, for the first time, asserted that the employer under the main contract was SUKL. Later still, the Board asserted that the employer was not SUKL, but SLH, SUKL's wholly-owned subsidiary.

That assertion was based on a scheme under the Transport Act 1981 to transfer all SUKL's property, rights and liabilities comprised in the undertaking at Parkeston Quay.

The scheme came into effect on July 11 1982. On July 27 1984 the Board sold its shareholding in SUKL, SHL's parent company, to British Ferries.

McGregor claimed a declaration that the Board was estopped from denying that it was employer under the agreement of November 1 1978, and that it was the proper respondent to the arbitration under the main contract.

The Board, SUKL and SHL challenged the existence of any such estoppel.

In *Amalgamated Property v Texas Bank [1982] 1 QB 84, 122* Lord Denning MR stated the doctrine of estoppel in one broad principle: "When the parties to a transaction proceed on the basis of an underlying assumption ... on which they have conducted the dealings ... neither of them will be allowed to go back on that assumption when it would be unfair or unjust to allow him to do so."

The broad test was whether, in all the circumstances of a particular case, it would be inequitable, or unconscionable, or unjust, or unfair, to allow a party to depart from a mistaken belief or assumption which he had induced or shared.

In order to satisfy that test the party seeking to set up the estoppel must ordinarily show that he would be in some way *prejudiced, disadvantaged* or injured if the other party were allowed to depart.

It was not contended that had McGregor known the true position it would not have compromised its arbitration with Cleveland Bridge, or that it would have settled on different terms. Nor was it suggested that either SHL or SUKL was a less creditworthy opponent than the Board, although McGregor made it plain it would rather litigate with the Board which had no continuing interest in its field, than with SUKL/SHL from which it hoped for continuing business.

There were two simple questions. If McGregor had known of the novations when they occurred, would its subsequent conduct have been different in any respect? If the Board was permitted to deny that it remained employer under the contract, would McGregor be in any worse position than if it had known the true position all along?

The answer to both questions was No. McGregor was understandably sorry to find itself in dispute with SUKL/SHL, but that was the effect of the schemes made under the Acts of 1968 and 1981, and there was nothing McGregor could have done to avoid that result.

Mr Wright, for McGregor, said it was, on the face of it, unfair that the Board should be permitted to announce a change of contracting party 5½ years after the contract was made, and long after the ramp had been installed.

That was certainly unfortunate. It was not, however, suggested that the Board had deliberately concealed or withheld information about the schemes with any sinister or collateral intent.

Many of the Board's officers, including the engineer, did not know of the schemes or did not appreciate their effect. Others regarded the changes as being formal and without practical effect—a view which was largely correct until the sale to British Ferries in July 1984.

Understandable though McGregor's resentment at the late disclosure undoubtedly was, that alone did not make it unfair for the Board to be permitted to assert the true facts.

Reliance was placed on an estoppel arising from representations made by the Board.

The tripartite agreement contained a clear representation that the Board was the employer. McGregor's problem was to show that the representations had any effect, let alone any potentially prejudicial effect, on what McGregor did.

The Board was under a duty to speak to correct McGregor's mistake, which it should have appreciated. But again, McGregor's difficulty was to show that the Board's silence had any effect, or any potentially prejudicial effect, on McGregor's conduct.

McGregor put its case as one of estoppel by convention — "When the parties have acted ... upon the agreed assumption that a given state of facts is to be accepted between them as true, then as regards that transaction each will be estopped ... from questioning the truth of the statement ..." (See *Spencer Bower and Turner, 157*).

The tripartite agreement expressed an agreed statement of facts, the truth of which had been assumed by convention of the parties; but an estoppel "as regards that transaction" would not avail McGregor, which made no claim arising out of that agreement.

The declarations were refused.

For McGregor: Desmond Wright QC and Richard Wilmot-Smith (Maughan and Hall, Newcastle upon Tyne).

For the Board: Jules Sher QC and Christopher Russell (British Rail).

For SUKL/SHL: Julian Cooke (Herbert Oppenheimer Nathan and Vandyk).

By Rachel Davies
Barrister

APPOINTMENTS

Moves at French Kier

FRENCH KIER HOLDINGS has made the following changes within its subsidiary companies: At Kier International Mr M. B. Jardine has been appointed managing director in succession to Mr W. Fox who remains chairman and a director of French Kier Holdings. Mr Jardine was appointed a director of Kier International in September, 1984. At French Kier Construction Mr D. B. Sheppard has retired as a director. He will continue to carry out limited marketing duties.

EAGLE STAR PROPERTIES has appointed Mr Brian Williams managing director and Mr Christopher N. Jones as joint managing director.

NEVI BALTIC has appointed Mr Michael Goddard as managing director. Mr Mark Glatman and Mr Harry Hyman have been appointed as executive directors.

Mr M. J. Shelley, who joined The Royal Trust Company of Canada in December 1984 as senior investment manager, has been appointed to the board of THE ROYAL TRUST COMPANY OF CANADA FUND MANAGEMENT.

Mr Harry King, managing director of Benn Business Information Services (BBIS), has joined the board of BENN BROTHERS, the publishing arm of Extel Group. While continuing his direction of BBIS, Mr King will also take responsibility on the main board for the development of Benn Electronics Publications (BEP). He is also appointed managing director of BEP.

Levi Strauss European president, Mr Robin Dow, has been appointed chief executive and chairman-designate of AIDCOM INTERNATIONAL'S research division. He will join Aidcom on November 18. After a three-month transition period he will become executive chairman of the research division and will also join the main Aidcom board. Mr Geoffrey Roughton will remain chairman of Aidcom's research interests during the transition period and will then step down to become part-time on a non-executive basis. He will continue to be available as a consultant.

★

Mr Michael Bradley has been appointed to the board of REDFEARN NATIONAL GLASS as an executive director. He will take over as sales and marketing director on January 1 from Mr H. W. Williamson, who will remain on the board until his normal date of retirement in April.

★

Mr John Vandore has joined SIMON ENGINEERING DUDLEY, West Midlands, as sales and marketing director. He was with Leyland Trucks as head of European business, having previously been sales and marketing director of Scammell Motors.

EUROLINK COMPUTER SERVICES has appointed Mr Peter Brandt director of sales—North American operations. He was previously director of sales—European operations.

★

Mr David G. Pearce has been appointed company secretary of BERKELEY EXPLORATION & PRODUCTION.

★

Dr Basil Vassiliou has been named regional director for Europe for the ROHM AND HAAS COMPANY. He has been with the company for 25 years, and was business director for industrial chemicals and plastics in Europe. Dr Vassiliou is based in London.

★

GRANVILLE & CO has appointed Mr Michael Proudlock as chief executive of the Granville Management Trust. He was regional director of County Bank in Birmingham. Mr John Singer has been appointed an assistant director for continental European corporate finance activities and in the Burametch project being carried out by Granville & Co in conjunction with the EEC Commission. He was previously finance director of Central and Sheerwood and will remain a non-executive director of that company. Mr David Webb has joined Granville Investment Management from Union Bank of Switzerland as an additional fund manager with special responsibility for pension fund business.

★

PROCTER & GAMBLE has appointed Mr Ronald G. Pearce as general manager in succession to Mr Larry G. Dare. Mr Pearce will also become managing director. He was formerly general manager—special operations with Procter & Gamble, Geneva. Mr Dare is appointed division manager—Southern Europe, with responsibility for the Procter & Gamble companies in the UK, Italy and Spain. He will be based in Brussels.

★

Mr J. D. Rowland, chairman of Stewart Wrightson Holdings, has been appointed a non-executive director of ROYAL LONDON MUTUAL INSURANCE SOCIETY. Mr L. B. Cooke has retired from the board.

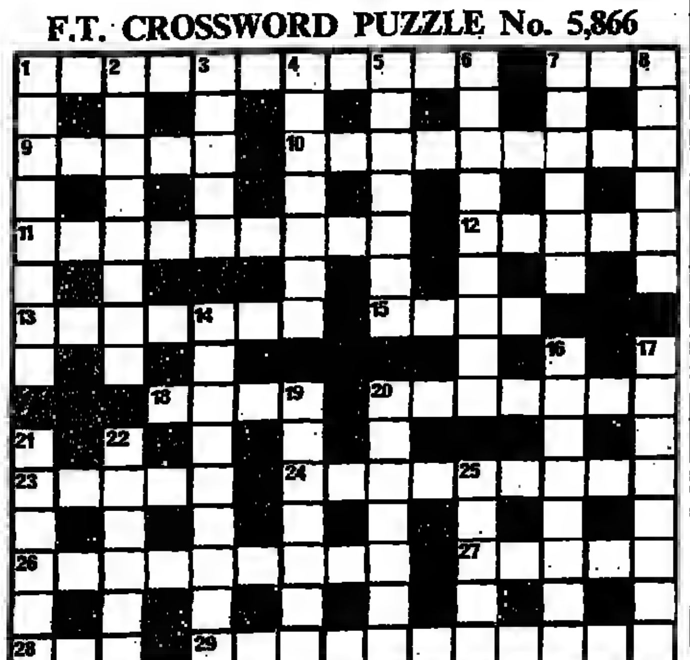
★

Mr R. W. Giles has been appointed to the board of LESSER DESIGN & BUILD as construction director in succession to Mr Bill Wheeler, who retires at the end of November.

★

Mr Robert Ayling has been appointed legal director of BRITISH AIRWAYS. He is a solicitor and was, until recently, under secretary (legal) at the Department of Trade and Industry. Mr Bernard Wood, British Airways secretary and legal director, is to retire in the autumn of 1986. He will continue as company secretary until his retirement.

F.T. CROSSWORD PUZZLE No. 5,866



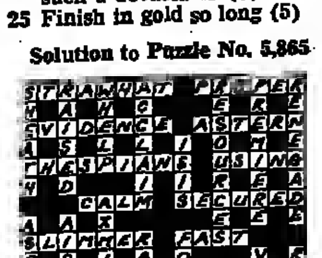
ACROSS

1 April showers in Wells? (6-5)
7 Flatfish expert (3)
9 First capital gains tax in Berkshire (5)
10 Barker spotted alongside coach (9)
11 For this rough-and-tumble shop early, with freedom (9)
12 It has to go back on the tenth (5)
13 IOW's coastal feature not entirely uncalled for (7)
15 Drawing team that gives beef to England's openers (4)
18 Advanced in years, some manage deck-games (4)
20 Enthusiast with perfectly good 'eadlight in New York State (7)
23 Grand deficit to explain away (5)
24 Old Bill in France (9)
26 Sick, having his masque in disarroy (9)
27 Picture, for example, a motorway going from east to west (5)
28 New tap and fitting (3)
29 Device for the detection of low tars (4-7)

DOWN

1 An article on science that is severely critical (8)
2 Judge of a fipple-flute (8)
3 Inert form of chemical (5)
4 Divine in the Principality, these odd walks (7)
5 Call when quarry comes into view (5-2)
6 Joint best afore it is cut up? (5-4)
7 Degree — first, perhaps — required for these banks? (6)
8 Large headline for the Standard (6)
14 Member is overdue to do work of the house (9)
16 Holding hands here? (8)
17 Rue Simon—out of the way address in Paris (8)
19 For which anglers need a lead? —— (7)
20 —— NB, those pieces found in Davy Jones's locker (7)
21 Stuff chucked out in English stage production (6)
22 Classic place to start to find such a devastator (6)
25 Finish in gold so long (5)

Solution to Puzzle No. 5,865



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE — Dlg. 03-236 3885

International Growth	96.4	102.7	-0.8	2.00
Income & Growth	43.3	46.1	+0.1	3.20
Special Situations	53.9	57.6	-0.5	1.40
American Growth	26.0	27.7	+0.1	1.10
Japan Growth	34.1	36.3	+0.2	—
European Growth	41.9	44.8	-0.6	3.30
UK Growth	41.9	44.8	+0.3	—
Pacific Growth	31.8	34.0	+0.1	1.80
High Income	25.6	30.4	+0.2	7.40
Practical Income Units	47.0	45.8		3.1
Practical Accum. Units	77.4	82.4	+0.1	3.1

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. — 01-405 8441

Pearl Growth Fd	61.4	71.7	+0.4	3.44
Accum Units	99.6	106.0	+0.5	3.44
Pearl Inc.	95.9	102.0	+0.6	4.90
Pearl Unit Tst.	101.3	107.8	+0.7	3.98
(Accum. Units)	171.3	182.2	+1.2	3.90

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. — 0491 576868

Growth	202.3	217.6	-1.3	1.58
Income	150.4	161.3	+0.5	5.37
Worldwide Recovery	114.7	123.1	-0.1	2.13
American Growth	53.7	57.7	+0.2	1.10
Intl. Emerging Cos.	60.4	64.9	-0.2	0.70
Far East Growth Fd.	50.F	54.4	-0.3	1.0

Prolific Unit Trusts
222, Bishopsgate, EC2. — 01-247 7544/7

Prolific Far East	110.0	117.9	-0.4	0.24
Prolific Extra Inc	66.6	70.8	+0.4	5.94
Prolific Convert & Gil	84.2	89.3	+0.3	7.02
Prolific High Inc	141.5	150.5	+0.1	4.95
Prolific Intl.	85.3	91.4	+0.2	1.79
Prolific N. Amer	110.3	110.2	+0.3	2.37
Prolific Spec. Sits.	158.2	168.3	+1.0	1.48
Prolific Technology	94.5	101.3	-0.5	0.81

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. — 01-749 9111

Japan Inc.	52.9	56.0		—
Japan Acc.	51.0	56.1		—
Worldwide Inc.	52.2	55.3	+0.1	2.27
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Swiss Life Pen. Tst. Man. Co. Ltd.(a)(c).
99 101 London Rd, Sevenoaks. — 0732 450163

Equity Dist.*	232.9	246.4	—	3.91
Equity Acc.*	276.4	292.4	—	3.91
Fixed Int. Dist.†	120.1	124.4	—	10.87
Fixed Int. Acc.†	169.4	175.9	—	10.87

*Prices on Nov 1. Next dealing Nov 13.
†Prices on Nov 1. Next dealing Nov 6.

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants, SP10 1PG
0264 62188 Dealings to 0264 63432-3

TSB American	91.4	97.3	+0.2	1.33
Do Accum.	95.2	101.3	+0.3	1.33
TSB Extra Income	89.2	94.9	+0.4	5.97
Do Accum.	102.7	109.3	+0.5	5.97
TSB General	124.8	130.0	+1.5	3.17
Do Accum.	210.2	223.6	+2.4	3.17
TSB Gilt & Fxd Int	47.0	49.0	-0.1	6.07
Do Accum	59.0	61.5	-0.1	9.07
TSB Income	179.9	190.9	+1.4	4.67
Do Accum	270.6	287.9	+2.1	4.67
TSB Pacific	107.0	113.9	+0.2	0.65
Do Accum.	109.1	116.8	+0.2	0.65
TSB International	295.2	250.3	+0.9	2.05
Do Accum	288.6	307.1	+1.2	2.05
TSB Natural Resources	42.1	44.8	-0.1	2.06
Do Accum.	42.6	45.7	-0.1	2.06
TSB Select. Opps.	49.5	52.7	+0.3	2.11
Do. Accum	53.8	57.3	+0.3	2.11

3i & Target Fund Mgrs Ltd
2 St Mary Axe, London EC3A 8BP — 01-928 3356

Small Cos Fund	Nov 1	70.3	+0.2	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks. — (0296) 5941

American Eagle	64.5	69.0		0.60
Australia	30.0	32.8	-1.0	0.10
Commodity	80.9	86.0	-1.5	1.97
Energy	38.0	40.6		2.77
Equity	109.3	116.4	+1.0	3.37
European Spec. Sits.	65.0	64.9	+0.6	1.13
Extra Income	94.9	101.5	+0.4	3.07
Financial	221.5	236.3	+0.5	2.31
Gilt Capital	225.2	235.8	-0.8	3.25
Gilt Income	101.7	106.5	-0.2	8.38

INSURANCES

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

NOTES

OPTIONS

3-month call rates

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Tin pact creditors await their fate

BY STEFAN WAGSTYL

BANKERS AND metal traders around the world will be nervously awaiting the outcome of today's meeting of the International Tin Council, which has gathered in London for a second attempt to solve the tin market crisis.

The main question in their minds is whether the tin council's 22 members will meet the debts the ITC has run up in its efforts to support tin prices above free market levels.

The 16 financial institutions which have lent money to the ITC, taking tin as security, are between them owed just over £300m. The biggest loans are believed to have been advanced by the Malaysian banks, Bank Bumiputra and Malayan Banking.

The 12 other banks involved are—Arab Banking Corporation, ANZ, ABN of the Netherlands, Banque Indosuez of France, Arbuthnot Latham, Hambros, Kleinwort Benson, Standard Chartered and TSB of the UK, Bangkok Bank from Thailand, Bank of Tokyo, and, from Canada, Bank of Nova Scotia. Shearson Lehman, the US financial group, and Metallgesellschaft, the West German metals company, have also lent the ITC money.

Sir Adam Ridley, a director of Hambros Bank, acting as spokesman for the 16 lenders, said that they were all large enough to cope with any possible losses.

In addition to its bank borrowings, the ITC has outstanding forward contracts with brokers on the London Metal Exchange and others for some 68,000 tonnes of tin, which the council's buffer stock manager has agreed to buy at just under £9,000 a tonne, or a total of over £600m.

The bulk of these contracts—for about 52,000 tonnes—is with ring-dealing members of the London Metal Exchange, the world's leading metals market. The size of these ITC commitments varies greatly from a maximum of 10,000 tonnes for one member to a few hundred tonnes for others. The traders also differ in the degree to which their contracts to sell tin to the ITC are matched by contracts to buy tin from other LME brokers or elsewhere.

The traders involved are 15 of the 28 ring-dealing members: Amalgamated Metal Corporation (owned by Preussag of West Germany), Henry Bath (MIM of Australia), Boustead Davis (Boustead); Gerald Metals (Gerald Metals, US); Gill and Duffus (Dalgety, UK); Holco Trading (E. D. and F. Man, UK); Lazmet (Trans-World Metals Holdings, UK); Maclaine Watson (Drexel Burnham Lambert Group, US); Metdist (privately-owned, UK); Metallgesellschaft (Metallgesellschaft, West Germany), MMC Metals (Malaysia Mining Corporation), Mocatta Commercial (Standard Chartered Bank); J. H. Rayner (Mincing Lane) (S. & W. Berisford, UK); Shearson Lehman Metals (American Express, US), Rudolf Wolff (Noranda, Canada).

The tin council also has outstanding contracts outside the LME ring—notably with trading companies in south-east Asia, in Malaysia, Indonesia and Thailand, the leading tin producers. Among them is believed to be Manilal, a well-diversified Malaysian trading company with interests in palm oil and rubber and property as well as tin.

Few, if any, of these bankers, brokers and traders will lose everything owed to them, even if the tin council collapses and sinks without trade. But all of them could be left holding stocks of tin which will be worth far below the £8,140 a tonne at which the price was suspended. What will determine the extent of losses will be how far tin prices fall when trading resumes—and how fast.

● Banque Nationale de Paris points out that it has no involvement with the International Tin Council, as was incorrectly stated in the Financial Times yesterday.

Crisis causes problems for rubber accord

By Wong Sulong in Kuala Lumpur

THE CRISIS in the tin market is causing problems for the International Natural Rubber Organisation (Inro). Delegates from the organisation's 32 members, who ended a meeting here yesterday, have been told that banks now want guarantees from member governments, and not rubber stock warrants, to back loans to finance the proposed 150,000 tonne contingency stockpile.

The issue of the contingency rubber stockpile has come up because the buffer stock is approaching its 400,000 tonne limit. It is now believed to be close to 375,000 tonnes. At the meeting, "All council members reaffirmed their commitment to fulfil promptly their financial obligations" on the stockpile provisions, Inro said.

At the last council meeting in August, consumer members declared they would meet their contributions to the contingency stockpile in cash, while some producers requested Inro to discuss with banks about extending loans and taking warrants as security.

Banks, including two Malaysian Government-owned ones, have been accepting tin warrants to finance a major part of the tin stockpile held by the International Tin Council, and they would be heavily exposed in the event of a collapse of tin prices.

Some Inro consuming countries at yesterday's meeting, informally sounded out to producers on an early resumption of renegotiation of a second rubber agreement.

The current pact expires at the end of this month, and has been extended by another two years.

Mr Aldo Hofmeister, who took over from fellow American, Mr Harvey Adams, as bufferstock manager, from this month, attended the Inro talks for the first time.

Brazil faces big coffee losses

BY ANDREW WHITLEY IN RIO DE JANEIRO

HEAVY RAINS since the weekend in the main coffee producing regions of Brazil—Sao Paulo, Southern Minas Gerais and Parana State—have come too late to prevent a big fall in the country's coffee production next year, though they have relieved fears of a real disaster.

Four months of drought are thought to have reduced output by as much as a third compared with this year's bumper crop of 30m bags (60 kilos each).

Unofficial forecasts from the Brazilian Coffee Institute (IBC) put 1986/87 coffee production at between 19m and 23m bags. No formal announcement from the IBC on the full extent of the damage is expected before the end of the month.

Coffee brokers and exporters are more pessimistic than the IBC, putting the likely crop next year at anywhere between 15m and 18m bags: an estimate which, if realised, would virtually eliminate stocks available the following year and make the country seriously vulnerable to frost damage.

While the rains, which began in much of the interior of Sao Paulo about 10 days ago and built up in intensity after Friday, have curbed the losses suffered by many farmers in coffee and other crops, they are not likely to make up the damage caused so far to any significant extent.

Cotton has been badly affected in Sao Paulo state, with only 15,000 out of an initially forecast 300,000 hectares planted to date. In addition, the production of black beans, oranges, maize and milk have all been affected—the latter already provoking some domestic shortages.

Maize import requirements are expected to rise as a result of the drought, from the previously anticipated 400,000 tonnes to nearer 1m tonnes.

To the relief of the IBC, local wholesale coffee prices have over the past few days begun to slide back from their recent peaks, provoked by the drought. But the Government is still concerned about Brazilian lack of competitiveness, and may take steps to release the 2.5m bags currently in the hands of the IBC on to the domestic market.

Coffee for immediate delivery is currently being quoted locally at Cr 1.5m ($175) a bag. s price coffee grinders complain has forced a 60 per cent shutdown in the local industry.

Richard Mooney writes: On the London futures market coffee prices fell back immediately after the rains were reported but have since steadied. Nearby quotations had gained more than £400 a tonne in a little over a month as concern grew about the Brazilian drought damage, with the January position gaining £205 last week alone. That position fell £79.50 to £1,913.50 a tonne on Monday and the decline continued to £1,888 a tonne yesterday morning. But the price recovered to end the day virtually unchanged.

Peter Blackburn writes in Abidjan: Denis Bra Kanon, the Ivory Coast agricultural minister, said here yesterday that African coffee producers would support any "concrete measures" taken by the International Coffee Organisation to solve problems of undershipments and cut price sales to non-member countries and help save the international agreement.

Mr Bra Kanon, the new president of the 25 member Inter African Coffee Council, said that consumer countries must first agree on the question of sanctions before asking for the support of producer countries.

Tighter UK pesticide rules proposed

BY TONY JACKSON

THE UK Government is inviting consultation on its proposed legislation to control the making and use of pesticides. The consultation process is to finish by the end of next February, and the legislation (part of the Food and Environment Protection Act 1985) is expected to come into force by next June.

The regulations replace a series of mostly informal controls over the making and use of pesticides. All pesticide suppliers will have to submit their products for approval before offering them for sale, and there will be control over all aspects of advertising and distribution.

Use of pesticides will be largely controlled through enforced training. The Ministry of Agriculture proposes that there will be "a general obligation on all those who use pesticides in the course of their business to ensure that they and their employees have received adequate instructions and guidance in the safe, effective and humane use of pesticides."

The closing date for written comments is December 31 1985, with a further two months being allowed for follow-up discussions. Comments should be sent to: Miss Denise Love, Room 682, Ministry of Agriculture, Fisheries and Food, Great Westminster House, Horseferry Road, London SW1P 2AE.

Mary Frings on the problems of the uranium industry

Nuclear reactions in the US

THE RECENT signing of uranium supply contracts between Britain's Central Electricity Generating Board and two U.S. companies is a further example of the paradoxical situation in which export markets are still being found for U.S. uranium which is being priced off the home market by cheap imports.

Everest Minerals Corporation of Corpus Christi, Texas, and Energy Fuels (Nuclear) of Denver, Colorado, will each deliver 3.5m lbs of raw "yellow cake" uranium over a 10 year period beginning in 1987. The CEGB move follows its decision to discontinue purchases in Namibia because of the political unrest in southern Africa. The Board said it was "delighted" to have found two companies in the U.S. which could compete on a world-wide basis and which had long term aspirations. There are not many of them left.

Although the U.S. is rich in uranium resources, the ores are not generally of high grade and recovery by conventional methods is not cheap, while solution mining, although highly efficient and less capital and labour-intensive, is not suitable for all ore-bearing structures.

Since 1980, world prices for uranium have tumbled more than 60 per cent from a high of $43 a lb, and three-quarters of the 30-plus conventional US mining companies have gone out of business. Many of the abandoned mines have flooded and may never again be operational. Employment in uranium exploration, production and milling has declined from 22,000 to under 3,500.

Just five years ago, the US was producing 40m lbs of uranium a year, twice as much as it was using. Much of the surplus went into strategic stockpiles. Production has now fallen by some 70 per cent. According to the Department of Energy (DoE) more than two-thirds of the uranium consumed in the US in 1988 will come from foreign suppliers, unless current trends are reversed.

There used to be restrictions on importing uranium into the US, except by foreign utilities for enrichment and re-export. The restrictions were lifted in 1975 as a surge in US reactor orders created fears of a future uranium shortage, and the DoE spent billions of dollars on additional enrichment facilities to handle the expected demand.

However, since the accident at Three Mile Island in 1979, no US utility has ordered a new reactor and more than 100 orders have been cancelled. Although heavily-industrialised areas such as Chicago are 60 per cent dependent on nuclear power generation, the proportion nation-wide is only 15 per cent, with a scheduled rise to 20 per cent in the 1990s.

US producers claim the low-cost imports are being unfairly subsidised by foreign governments. But US-mined uranium is still being exported, either through sales contracts like those signed with the CEGB or through European companies which have entered into joint ventures with U.S. producers in order to secure a reliable source of supply.

In the battle for survival US uranium mining companies feel they have been fighting not only foreign governments but their own as well. This complaint stems from the DoE's decision at the end of 1983 to restructure its uranium enrichment policy, in an effort to win back foreign sales and recoup some of the outstanding $6bn in construction costs.

Until the mid-70s, the US Government held a monopoly on uranium enrichment for the non-communist world, but has since lost two-thirds of that market to European consortia and the Soviet Union. Some US utilities are also using low-cost uranium from Canada, South Africa, Niger and Australia.

The DoE has been able to offer new, more attractive enrichment contracts by using stockpiled uranium — a move which US producers say is detrimental to their interests and contravenes federal law requiring the viability of the domestic uranium industry to be maintained.

Matters came to a head on September 19 when a federal judge in Denver, ruled that since January 1984 the DoE had entered into enrichment contracts illegally and that as of October 1, all such contracts, both domestic and foreign, were null and void. This left over 130 contracts with an estimated value of $27bn hanging in the air, and the industry is anxiously awaiting the DoE's next move.

Although it is expected to appeal, the DoE clearly has a conflict of interest between its statutory duty to preserve the domestic mining industry and its desire to make its uranium enrichment programme self-supporting.

Further weight has been added to the producers' case by the Energy Secretary, Mr John Herrington, who declared on September 25 that as of December 1984 the U.S. uranium industry was non-viable.

This declaration requires some qualification. Certain companies working high-grade deposits or using advanced mining techniques are marginally viable, but there are not enough of them to guarantee security of supply in the event of import disruption. Product prices would need to double to enable the rest of the industry to survive, according to Mr Ray Larson, president of Dallas-based Uranium Resources.

The declaration of non-viability must trigger a federal response. Congressional committees are currently reviewing both a "jobs bill," which seeks to have the Government pick up one third of the estimated $1bn bill for cleaning up radioactive uranium mill tailings scattered across the West, and a "domestic contents bill" that would require utilities to buy at least 75 per cent of their uranium from U.S. producers.

Mr Thomas Neff, director of energy studies at Massachusetts Institute of Technology, told Congress that although the domestic contents bill could salvage 4,000 jobs over the next 10 years, the price of protection would be $1m per job—money that would have to come from higher electricity tariffs.

Measures such as the erection of tariff barriers against imports are also under scrutiny, but would be unlikely to win the support of the Reagan administration, unless they were seen to be vital to national security.

WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,730-2,880.

BISMUTH: European free market, min 99.99 per cent, $ per pound, tonne lots in warehouse, 4.05-4.30.

CADMIUM: European free market, min 99.95 per cent, $ per pound, in warehouse, ingots, 0.73-0.79, sticks, 0.81-0.85.

COBALT: European free market, min 99.5 per cent, $ per pound, in warehouse, 11.10-11.35.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 277-282.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per pound Mo, in warehouse, 2.65-2.70.

SELENIUM: European free market, min 99.5 per cent, $ per pound, in warehouse, 7.10-7.30.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 60-67.

VANADIUM: European free market, min 98 per cent V_2O_5 other sources, $ per pound V_2O_5, cif, 2.05-2.15.

URANIUM: Nuexco exchange value $ per pound U_3O_8, 16.00.

LONDON MARKETS

THERE WERE no fireworks on the London commodity markets yesterday. Coffee settled down after the sharp falls prompted by Brazil's drought-breaking rains on Monday and nearby prices ended little changed. Cocoa prices were somewhat lower reflecting suggestions that the Ivory Coast's 1985/86 crop could reach 550,000 tonnes, up from earlier estimates. Sugar prices were lifted modestly by news of Egyptian and Syrian buying and talk of India returning to the market as a buyer soon. On the London Metal Exchange prices were generally firmer with the biggest rise coming in zinc. Monday's fall was wiped out with the cash price gaining £16.50 to £469 a tonne on European trade buying and easier sterling against the dollar. Lead was also higher on trade short-covering and cash metal ended £7.50 up at £409 a tonne. A £9.50 rise which lifted cash aluminium to £663 a tonne was put down mainly to the currency factor.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close p.m. £ per tonne	+ or —	High/low
Cash	662.5-3.5	+9.5	661/661
3 months	686.5-7	+9.25	687.5/681

Official closing (am): Cash 661-.5 (651.5-2), three months 685.5-6 (675-.5), settlement 661.5 (652). Final Kerb close: 687-8.

Turnover: 15,200 tonnes.

COPPER

[illegible]

LEAD

[illegible]

NICKEL

[illegible]

ZINC

[illegible]

GOLD

[illegible]

SILVER

[illegible]

RUBBER

[illegible]

JUTE

[illegible]

INDICES

[illegible]

MAIN PRICE CHANGES

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

FREIGHT FUTURES

[illegible]

GRAINS

[illegible]

SPOT PRICES

[illegible]

MEAT

[illegible]

POTATOES

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

US MARKETS

PRECIOUS metal markets were steady, reflecting a lack of interest, although tight selling based on dollar strength was offset by lower US interest rates, reports Heinold Commodities. Copper and aluminium were confined to a tight trading range awaiting a resolution to the LME tin crisis. Expectations of additional purchases by India along with recent cash Indian terms from the Mid-East prompted a firm tone to sugar values. Cocoa weakened on continued indications of a larger than expected Ivory Coast crop. Cotton market traded steady to higher on light cash offers and uncertainty over the status of the Delta crop. Heating oil continued its retracement on expectations for another large build up in stocks in the weekly trade stocks report.

NEW YORK

[illegible]

CHICAGO

[illegible]

OIL

[illegible]

SPOT PRICES

[illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up in quiet trading

The dollar finished towards its best level of the day in currency markets yesterday. Trading was thin for much of the time and there appeared to be little incentiva to push the dallar outside a trading range of DM 2.59-2.62. There were no new economic factors to affect trading although US bonds were weaker on rumours of a revision to employment figures outside the farming sector.

Early trading attracted a few buyers and the dollar was sold aff after the start of trading in New York only to ba bought back before the close. A firmer Federal funds rate balped to encourage soma short covering but the continued threat of central bank intervention managed to deter any attempt to push tha dollar above its recent trading range. In addition there was speculation as ta whether this week's meeting of the Federal open market committee would herald a reduction in the US discount rate. Many dealers remained convinced, however, that a reduction would bs more likely much nearer the end of the year.

The dollar closed at DM 2.6135 down from a high of DM 2.6145 but up from Monday's close of DM 2.5960. Against the yen it was marginally firmer at Y207.95 from Y207.75 despits further comments by Japanese officials suggesting a desire to see the yen even stronger. Elsewhere the dollar closed at SFr2.1510 from SF2.1360 and FFr 7.9675 compared with FFr 7.9125. On Bank of England figures, the dollar's exchange rate index rose from 129.0 to 129.4.

STERLING — Trading range against the dollar in 1985 is 1.4410 to 1.0525. October average 1.4217. Exchange rate index 80.3 unchanged from Monday and compared with an opening level of 80.4. The six months ago figure was 77.6.

The pound was little changed overall, showing little reaction to rumours of lower oil prices. It was lower against the dollar but picked up ground against most other currencies. Against the dollar it slipped to $1.4330, a fall of 30 points, but improved against the D-mark to DM 3.7450 from DM 3.7400. It was also higher against the Swiss franc at SFr 3.0825 from SFr 3.0775 and FFr 11.4175 compared with FFr 11.4000. Against the yen it slipped to Y298.0 from Y299.25.

D-MARK — Trading range against the dollar in 1985 is 3.4510 ta 2.5960. October average 2.6442. Exchange rate index 128.1 compared with 119.7 six months ago.

The D-mark recovered from the day's lows as selling pressure pushed the dollar weaker in lata trading in Frankfurt. Tha US unit had been marked up during the morning but met resistance as dealers seemed anxious to kaep the dollar within its recent trading range in the absence af any fresh factors. It closed at DM 2.6040 down from a peak of DM 2.6140 and only slightly up from Monday's close of DM 2.6020.

£ IN NEW YORK

	Nov. 5	Prev. close
£ Spot	$1.4320-4330	$ 1.4385-4395
1 month	0.45-0.43 pm	0.42-0.41 pm
3 months	1.28-1.24 pm	1.25-1.20 pm
12 months	3.80-3.70 pm	3.80-3.70 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

Nov 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4320-1.4395	1.4325-1.4335	0.43-0.41c pm	3.51	1.21-1.17pm	3.32
Canada	1.9670-1.9748	1.9670-1.9700	0.52-0.44c pm	2.92	1.45-1.32pm	2.78
Nethlnd.	4.21-4.23	4.22¼-4.22¾	2⅛-1⅞c pm	5.68	5⅝-5⅜pm	5.20
Belgium	75.59-75.89	75.60-75.70	21-16c pm	2.93	57-48pm	2.77
Denmark	13.57½-13.59	13.58¼-13.59¼	3½-2½ore pm	2.42	8½-7¼pm	2.30
Ireland	1.2085-1.2129	1.2107-1.2117	0.24-0.11c pm	1.83	0.52-0.22pm	1.22
W. Ger.	3.7349-3.7505	3.7440-3.7460	2⅜-2⅛pf pm	7.20	6½-6pm	6.67
Portugal	230.80-234.55	230.94-233.97	105-365c dis	−12.15	460-1320d	−15.32
Spain	229.50-230.39	230.01-230.31	5-50c dis	−1.43	120-236dis	−3.08
Italy	2520-2529¾	2524½-2526½	1-5lire dis	−1.42	7-14dis	−1.66
Norway	11.24½-11.28¾	11.25-11.25½	¼-1¼ore dis	−0.80	2¼-3¼dis	−0.97
France	11.38½-11.43	11.41¼-11.41¾	2⅝-2c pm	2.44	6-4⅞pm	1.92
Sweden	11.24½-11.28	11.25-11.25½	2½-3½ore dis	−2.93	6½-7½dis	−2.29
Japan	297½-298¾	297½-298½	1½-1y pm	4.54	3-2¾pm	3.85
Austria	26.29-26.35	26.32-26.36	14¼-12¼gro pm	5.92	38¾-33¾pm	5.39
Switz.	3.07½-3.08¾	3.08-3.09½	2¾-2c pm	8.27	5¾-5⅛pm	7.04

Belgian rate is for convertible francs. Financial franc 76.10-76.20. Six-month forward dollar 2.28-2.23c pm. 12-month 3.80-3.65c pm

CURRENCY MOVEMENTS

Nov. 5	Bank of England Index	Morgan Guaranty Change %
Sterling	80.3	−10.1
U.S. dollar	129.4	+17.8
Canadian dollar	83.3	−9.4
Austrian schilling	118.9	+5.1
Belgian franc	92.2	−9.6
Danish Kroner	81.9	−8.8
Deutsche mark	128.1	+9.9
Swiss franc	161.2	+13.1
Guilder	118.3	+6.4
French franc	68.8	−12.5
Lira	44.7	−16.7
Yen	175.1	+67.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

DOLLAR SPOT — FORWARD AGAINST DOLLAR

Nov 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4320-1.4395	1.4325-1.4335	0.43-0.41 pm	3.51	1.21-1.17pm	3.32
Ireland†	1.1820-1.1876	1.1820-1.1830	0.23-0.13c pm	1.82	0.75-0.50pm	2.10
Canada	1.3718-1.3746	1.3743-1.3746	0.05-0.08c dis	−0.57	0.15-0.20dis	−0.51
Nethlnd.	2.9310-2.9485	2.9470-2.9480	0.54-0.51c pm	2.14	1.52-1.48pm	2.04
Belgium	52.66-52.87	52.75-52.85	2-3c dis	−0.57	7-10dis	−0.64
Denmark	9.42¾-9.48	9.48-9.48½	3.60-1.10 dis	−1.03	1.75-2.25dis	−0.84
W. Ger.	2.5890-2.6145	2.6130-2.6140	0.84-0.79pf pm	3.75	2.22-2.17pm	3.37
Portugal	162.00-182.00	162.00-162.50	125-325c dis	−16.59	450-1050dis	−18.43
Spain	159.80-160.53	160.05-160.15	55-75c dis	−4.86	225-300dis	−5.57
Italy	1755¾-1764¾	1761½-1762½	8-9½lire dis	−5.61	23-26dis	−6.00
Norway	7.82-7.86	7.85-7.85½	2.60-3.10ore dis	−4.38	8.25-8.75dis	−4.33
France	7.9270-7.9680	7.9665-7.9685	0.60-0.70c dis	−0.98	2.90-2.80dis	−1.39
Sweden	7.8200-7.8542½	7.849½-7.850½	4-4½ore dis	−6.50	11½-12dis	−5.99
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 53.10-53.20

OTHER CURRENCIES

Nov. 5	£	$
Arg'tina	1.1472-1.1495	0.8000-0.8010
Aus'alia	2.1496-2.1555	1.4983-1.4999
Brazil	1.2361-1.2427	8.620-8.660
Finland	8.0525-8.0448	5.5970-5.6000
Greece	219.56-220.50	153.00-153.50
H'kong	11.1880-11.1990	7.8010-7.8040
Iran	124.90*	85.65*
Kuwait	0.4216-0.4220	0.29250-0.29290
Lux'burg	75.60-75.70	52.75-52.85
Malay'sia	3.4940-3.5040	2.4375-2.4475
N'Z'land	2.4960-2.5080	1.7391-1.7436
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S.Af. (Cm)	[illegible]	[illegible]
S.Af. (Fn)	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

* Selling rate.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

CURRENCY RATES

[illegible]

* CS/SDR rate for November 4: 1.47600.

EURO-CURRENCY INTEREST RATES

[illegible]

Long-term Eurodollars: two years 9⅜-9⅞ per cent; three years 9⅝-9⅞ per cent; four years 9¾-10 per cent; five years 9⅞-10⅛ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

STERLING INDEX

	Nov. 5	Previous
8.30 am	80.4	80.3
9.00 am	80.4	80.2
10.00 am	80.3	80.3
11.00 am	80.3	80.4
Noon	80.3	80.4
1.00 pm	80.3	80.4
2.00 pm	80.3	80.4
3.00 pm	80.3	80.4
4.00 pm	80.3	80.3

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	[illegible]	[illegible]	[illegible]	±1.5425
Danish Krone	8.14104	[illegible]	[illegible]	[illegible]	±1.6421
German D-mark	2.23840	[illegible]	[illegible]	[illegible]	±1.0898
French Franc	6.86402	[illegible]	[illegible]	[illegible]	±1.3659
Dutch Guilder	2.52033	[illegible]	[illegible]	[illegible]	±1.5162
Irish Punt	0.724578	[illegible]	[illegible]	[illegible]	±1.6673
Italian Lira	1520.60	[illegible]	[illegible]	[illegible]	±4.1505

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FUTURES AND OPTIONS

US Treasury bond futures ended on a strong note on the London International Financial Futures Exchange yesterday, and Eurodollar futures were unchanged, after an active day in both contracts. The December Treasury bond opened at 78-26, and weakened on disappointment that Chicago failed to take the price above 79-00 overnight. It touched a low of 78-17, but then rallied strongly, to a contract high of 79-15, before closing at 79-06 compared with 78-21 on Monday. Buying demand followed rumours sweeping US markets that last Friday's rise of 414,000 in the number of people employed in the non-farming sector was exaggerated, while it was also suggested that two oil producers, including Venezuela, were about to cut oil prices.

December Eurodollars opened only slightly above the technical support level of 92.00, but after weakening to 91.97 recovered before the next support point of 91.95, to finish unchanged on the day at 92.03.

Although the contract recovered it failed to move ahead in line with bonds, because of the firm level of the Federal funds rate in New York. Tight credit conditions were the result of settlement of recent US Treasury auctions, involving 30-year bonds last week, and 142-day cash management bills on Monday.

December long gilt futures finished above the day's low, in sympathy with the movement in US bond futures. UK money supply figures had little impact. The general reaction in the market was that while a fall in growth of MO was encouraging the banking figures were disappointing. The rise of ⅛ per cent in M3 was in line with most forecasts.

Three-month sterling deposit futures opened unchanged at 88.55, and fell to a low of 88.52, reflecting the decline of the pound against the dollar on the foreign exchanges. The contract finished little changed at 88.54.

CURRENCY FUTURES

[illegible]

LONDON

[illegible]

CHICAGO

[illegible]

MONEY MARKETS

Tight conditions in New York

Federal funds remained firm at 8⅛ per cent in New York before lunch. Settlement for bills and bonds bought at recent US Treasury auctions is keeping credit conditions tight. Payment for $3bn of 142-day bills sold on Monday and for $4.75bn of 30-year bonds auctioned last week has so far caused distortions, and apart from keeping the Federal funds rate firm, is also likely to result in high borrowings by banks at the Federal Reserve discount window. The tight conditions may also disguise whether the Federal Open Market Committee meeting this week has eased monetary policy. There is some expectation the Federal Reserve will cut its discount rate, but the timing is very uncertain.

In Frankfurt the Bundesbank drained liquidity from the German banking system, accepting bids totalling DM 10.4bn for two security repurchase agreements, as replacement for maturing agreements of DM11.5bn. On bids of DM 7.1bn the authorities allocated DM3.7bn on a 28-day agreement, and on bids of DM 15.5bn provided DM 4.7bn for 63 days. Call money was steady at 4.60 per cent ahead of the result of the tender.

In Zurich leading Swiss banks cut interest rates on customer time deposits by ⅛ per cent. Three-month to eight-month deposit rates were reduced to 3¾ per cent, and nine-month to 12-month rates to 4 per cent.

In Helsinki the Bank of Finland cut its call money rate to 12.4 per cent from 12.5 per cent.

In London the Bank of England provided assistance of £452m for the money market, on a forecast shortage of £550m. Before lunch the authorities bought £161m bills outright, by way of £34m bank bills in band 1 at 11⅞ per cent; £127m bank bills in band 3 at 11⅛ per cent; £6m local authority bills in band 3 and £4m bank bills in band 4 at 11⅛ per cent.

In the afternoon another £291m bank bills were purchased outright at unchanged rates, through £259m in band 2; £3m in band 3; and £29m in band 4.

UK money supply figures to mid-October had no impact. A rise of ⅛ per cent in sterling M3 was within expectations, and although the fall of ⅛ per cent in MO was encouraging the market no longer expects monetary effect on interest rates. Three-month interbank was unchanged at 11⅝-11½ per cent, and discount houses buying rates for three-month bank bills were steady at 11⅛ per cent.

UK clearing banks base lending rate 11½ per cent since July 30

NEW YORK RATES

(Lunch-time)

Prime rate	9½
Broker loan rate	9¼-9½
Fed funds	8⅛
Fed funds at intervention	—

Treasury Bills & Bonds

One month	7.10
Two month	7.21
Three month	7.29
Six month	7.47
One year	7.67
Two year	8.62
Three year	8.96
Four year	9.26
Five year	9.40
Seven year	9.74
10 year	9.91
30 year	10.18

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov. 5)

Three months U.S. dollars		Six months U.S. dollars	
bid 8	offer 8 1/8	bid 8 1/16	offer 8 1/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

Treasury Bills (sell): one-month 11⅛ per cent; three-months 11⅛ per cent. Bank Bills (sell): one-month 11⅛ per cent; three-months 11⅛ per cent. Treasury Bills: Average tender rate of discount 11.1273 per cent. ECGD Fixed Finance IV. October 2 to November 5 (inclusive): 11.608 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from November 1 1985. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (net). Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11½ per cent; three-six months 11½ per cent; six-nine months 11½ per cent; nine-12 months 11 per cent. Under £100,000 10½ per cent from October 2. Deposits held under Series 5 11 per cent. Deposits withdrawn for cash 7½ per cent.

London Clearing Banks' balances

as at October 16 1985

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the London clearing banks and cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the monetary sector.

TABLE 1.

AGGREGATE BALANCES	Total outstanding £m	£m	Change on month £m	£m
LIABILITIES				
Sterling deposits:				
UK monetary sector	22,311		−468	
UK private sector	77,425		+597	
UK public sector	1,894		+270	
Overseas residents	12,838		+120	
Certificates of deposit	6,222	120,690	−350	+559
of which: Sight		46,553		+2,242
Time (inc. CD's)		74,137		−1,683
Foreign currency deposits:				
UK monetary sector	16,543		+33	
Other UK residents	5,585		−332	
Overseas residents	46,709		−2,369	
Certificates of deposit	6,200	75,037	−341	−3,009
Total deposits		195,727		−2,450
Notes in circulation		869		+15
Other liabilities*		31,609		+1,019
TOTAL LIABILITIES		228,204		−1,416
ASSETS				
Sterling				
Cash and balances with Bank of England:				
Cash ratio deposits	412		—	
Other balances	1,978	2,390	−4	−4
Market loans:				
Discount houses	3,990		−223	
Other UK monetary sector	26,275		−910	
UK monetary sector CD's	3,030		−243	
Local authorities	854		−32	
Other	2,738	30,887	+253	−1,123
Bills:				
Treasury bills	107		−24	
Other bills	2,660	2,767	+155	+131
Investments:				
British Government stocks	3,591		+89	
Other	3,506	7,097	+95	+183
Advances:				
UK private sector	82,929		+2,168	
UK public sector	423		+56	
Overseas residents	3,415	86,767	+46	+2,270
Other sterling assets*		12,856		+357
Foreign currencies				
Market loans:				
UK monetary sector	18,433		−979	
Certificates of deposit	596		−69	
Other	32,150	51,201	−1,860	−2,908
Bills		364		−11
Advances:				
UK private sector	6,848		−489	
UK public sector	1,017		−13	
Overseas residents	19,227	27,092	−102	−604
Other foreign currency assets*		7,082		+93
TOTAL ASSETS		228,204		−1,416
Acceptances		4,614		+216
Eligible liabilities		89,735		+1,472

*Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUP BALANCES

	CLSB Group† £	Barclays £	Lloyds £	Midland £	National Westminster £	Royal Bank of Scotland £
LIABILITIES						
Total deposits: Outstanding	195,727	41,841	34,847	35,587	56,697	10,572
Change on month	−2,450	+1,053	+188	+574	−1,362	−451
STERLING ASSETS						
Cash and balances with the Bank of England: Outstanding	2,390	443	221	493	478	463
Change on month	−4	−60	+7	+17	−7	+47
Market loans—UK monetary sector: Outstanding	24,265	5,138	4,281	3,090	9,540	994
Change on month	−1,153	−678	+350	−6	−788	−108
Other: Outstanding	6,622	1,148	1,282	1,089	2,481	260
Change on month	+10	−44	+93	+104	+80	−165
Bills: Outstanding	2,767	916	807	356	439	153
Change on month	+131	+244	−121	−83	+62	+16
British Government stocks: Outstanding	3,591	563	588	881	722	205
Change on month	+89	−49	−10	+141	−33	+28
Advances: Outstanding	86,767	22,399	14,912	14,536	21,861	6,040
Change on month	+2,270	+704	+336	+176	+605	+374
ELIGIBLE LIABILITIES						
Outstanding	89,735	21,892	16,122	15,708	24,133	6,074
Change on month	+1,472	+536	+226	+15	+282	+403

† Figures for Bank of Scotland and Standard Chartered included.

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BRITISH FUNDS

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101½	99¼	Exch. 11½pc '86	99½		11.15	11.54
99½	97¼	Treas. 10pcCnv 1986	99½	+⅛	10.06	11.41
96½	92¼	Treas 3pc 1986	96¾xd		3.12	10.74
100	97½	Exch 10½pc Cv '86	99½xd	–⅛	10.54	11.25
101⅞	99¼	Treas 12pc 1986	110½xd	+⅛	11.94	11.27
98½	94¾	Treas 8½pc 1984-86	98⅛		8.64	10.97
105⅛	102⅛	Exch 14pc 1986	102⅞	–⅛	11.63	11.09
94½	87¾	Exch. 2½pc 1986	94¾xd		2.65	8.26
104⅛	101¼	Exch. 13¼pc 1981	102⅛	–⅛	12.94	10.98
99½	96⅝	Treas 10¼pcCv '87	99⅛	–⅛	10.33	10.86
93¼	85½	Exch 2½pc 1987	92⅜	+⅛	2.69	8.47
100⅛	96¼	Exch. 10½pc 1987	99⅛	–⅛	10.54	10.82
95⅛	89	Funding 6½pc '85-87	95	–⅛	6.85	10.23
99⅛	95½	Treas 10pc 1987	98½xd	+⅛	10.11	10.79
91½	84¼	Treas 3pc 1987	91⅛		3.29	8.72
102½	99½	Treas. 12pc 1987	102¼xd	–⅛	11.75	10.78
95⅛	90¼	Treas 1¼pc 1985-88	94½		8.18	10.43
100⅛	96⅛	Exch 10½pc '88	99¼xd	–⅛	10.33	10.64
98½	93⅛	Treas 9½pc Cv '88	97½	–⅛	9.97	10.71
87⅛	80	Transport 3pc '78-88	86⅞		1.45	8.64
97½	41½	Treas 9½pc '88	96⅞	–⅛	9.81	10.13
102½	97½	Treas 11½pc 1989	102¼	–⅛	11.25	10.63

AMERICANS—Cont.

1985 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
22⅞	11⅝	Amer Medical Intl $1	13½xd	+⅛	12c	—	3.0
20⅝	14	American T & T $1	14⅛		$1.20	—	5.9
79½	61¼	Ameritech $1	66⅛	+½	$6.60	—	12
25	15½	Amtact	16	+⅛	—	—	—
47p	20½p	And7ech	20½p		—	—	—
18½	919p	Bankamerica $1	10	–⅛	80c	—	5.8
60½	41¼	Bankers N.Y. $10	44½xd	+⅛	$2.70	—	4.4
12½	477p	BASIX Corp.	618pxd	–14	12c	—	1.4
80⅞	60½	Bell Atlantic $1	64⅞	+⅛	$6.80	—	7.5
34¼	26⅞	Bellsouth $1	28⅞		$2.80	—	7.0
19¼	869p	Beth Steel $8	905p	+21	—	—	—
24	14⅞	Bowater Inc.	15⅞		72c	—	3.3
40½	31¼	Brown'g-Fer 16⅔c	38xd	+⅛	$1.08	—	2.0
37¼	23⅞	Brunswick Corpn	26⅞	–⅛	$1.00	—	2.7
39⅞	29⅛	CPC Intl. 25c	33⅛		$2.20	—	4.7
25	16⅛	CSX Corp U S $1.00	18⅛		$1.04	—	4.1
19⅛	11⅛	CalFed Inc $1.00	15½	–⅛	32c	—	1.5
32⅞	25	Campbell Soup 30c	29½		$5.00	—	12.2
31⅞	23¼	Caterpillar Tractor	25⅛	+½	50c	—	1.4
902p	551p	Cenergy Corp. 25c	653p	–5	4c	—	0.4
52⅛	34⅝	Chase M'htn $12.5	41½xd	+⅛	33.80	—	6.6
38⅛	23⅞	Chemical New York	27½	+⅛	52.48	—	6.5
34½	22	Chesebrough-Pond's $1	27½xd		$1.92	—	5.0
32⅞	24⅛	Chrysler $6¼	27⅞	–⅛	$1.00	—	2.6
42⅛	27⅞	Citicorp $4	30⅞		$2.26	—	5.3
10½	662p	CityFed Fin. Corp.	697p	+13	40c	—	4.1
23½	18⅛	Colgate-P. $1	20⅞		$1.90	—	4.8
57½	41	Colt Inds. $1	42⅞		$2.50	—	4.3
681p	460p	Cont Illinois Corp $1	557p	+10	—	—	—
155p	40p	Cont Illinois Hldgs. $1	95p		—	—	—
238p	49p	Corporate Data Scnce	61½p	+1	—	—	—
36⅛	25⅛	Crown Zell $5	27⅛xd	–⅛	$1.00	—	2.6
44⅛	959p	Cullinet Sftwr $0.1	10⅛	–⅛	—	—	—
506p	242p	Damson Oil 40c	266p		—	—	—
29	15⅞	Dana Corp. $1	16⅛xd	+⅛	$1.28	—	5.6
67	22⅛	Data General	28⅛		—	—	—
77p	18p	Derma-Lock Medical	20½p		—	—	—
67	49⅛	Dun & Bradstreet $1	51½	–⅛	$1.88	—	2.6
55½	36½	Eaton Corpn. 50c	39½xd		$1.40	—	2.6
46½	34	Exxon	38½		$3.60	—	6.7
20⅛	12⅛	FPL Group $0.01	17⅛		$1.88	—	7.0
974p	374p	Fst Corps. Amer. 50c	436p	+10	—	—	—
23⅛	14⅛	First Chicago $5	16⅞	+⅛	$1.32	—	5.6

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS—Cont.

DRAPERY & STORES—Cont.

ELECTRICALS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

INDUSTRIALS—Continued

LEISURE—Continued

PROPERTY—Continued

INVESTMENT TRUSTS—Cont.

FINANCE, LAND—Cont.

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INSURANCES

PROPERTY

LEISURE

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

Finance, Land, etc

MINES

Central Rand

Eastern Rand

Far West Rand

NOTES

[illegible]

- § Price at time of suspension.
- • Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ☆ Not comparable.
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- † Forecast dividend, cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ☆☆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. R Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	98		Arnotts	218	
Craig & Rose £1	780		CPI Hldgs.	63	
Finlay Pkg. 5p	54		Carroll Inds.	139	
Higsons Brew	235		Dublin Gas	85	
Holt (Jos) 25p	715		Hall (R. & H.)	60	
IoM Stm. £1	84		Heiton Hldgs.	21	
IRISH			Irish Ropes	45	
Fund 11¾% 1988	£101		Unidare	112	
Nat 9¾% 84/89	£96¼		For Jacob (W. & R.) see Foods		
Fin. 13% 97/02	£105½	−½			

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Early enthusiasm fades and leading shares close only marginally higher on balance

ACCOUNT DEALING DATES

*First Dealings	Option Declarations	Last Dealings	Account Day
Oct 28	Nov 7	Nov 8	Nov 18
Nov 11	Nov 21	Nov 22	Dec 2
Nov 25	Dec 5	Dec 6	Dec 16

* "New-time" dealings may take place from 9.30 am two business days earlier.

Aggressive institutional buying made for a spirited early trade in London equities and the two main indices spurted to new peaks before reacting later. Opening business was also coloured by hectic first-time in the six-times oversubscribed tender issue of Underwoods shares, which achieved a healthy premium over the striking price. Shortly after the 9.30 am start both indices were posting double-figure gains. The FT-SE 100 Share Index shot up 15 points to within a few points of 1400 in a highly-charged market. Sparkling half-yearly profits from leading food retailer Sainsbury provided additional buoyancy not only to the sector but also other consumer-durable stocks.

The upsurge proved too fast for comfort, however, and when the demand faded values began to ease awaiting the latest money supply and banking statistics. These were announced at 2.30 pm and, at first sight, were considered favourable. But closer examination of the further sharp increase in bank lending coupled with rumours that Saudi Arabia and Venezuela were ready to cut oil prices sent a tremor through the market.

A succession of sales from smaller investors, which represented profit-taking, caused further nervousness in the absence of any fresh institutional support. Many leading shares saw their gains eaten away and with the downturn continuing after-hours the FT-SE Index closed a mere 2.8 up on the day at 1383.7, after 1395.9. Similarly the FT Ordinary Share Index settled only a net 2.4 higher at 1073.0, having reached 1083.2 earlier.

As widely forecast, the specialist multiple retailer Underwoods staged an impressive debut. Heavily oversubscribed at the minimum tender price of 115p, and a striking price of 150p, the shares changed hands briskly given the large number of market makers and the fact that only 6.8m shares were offered. After reaching 210p the price reacted to settle at 204p for a first-day premium of 54p.

Gilt-edged securities hovered either side of Monday's closing levels. The slightly easier sterling exchange rate imparted early caution to the market but the resulting small losses were water regained. Initial optimism over the money supply figures was short-lived and in the late business the majority of bond prices were showing minor falls on balance.

Life issues rise

Life issues made the running in Insurances, responding afresh to the impressive new life business figures for the third quarter of 1985. Stock shortages accentuated closing gains and Pearl were ¾ better at £13⅜, after £13⅝, while Legal and General put on 11 at 733p, after 733p. Britannic firmed 10 to 833p as did Equity and Law, to 283p and London and Manchester, to 835p. Lloyds Brokers gained ground in places. Sturge added 15 at 420p and Steel Burrill appreciated 13 at 495p.

The banking sector was notable for revived takeover speculation among merchant banks. Hill Samuel moved up 6 to 343p, after 350p, while Kleinwort Benson added 10 to 555p, after 560p, and Brown Shipley improved 5 at 410p. Mercury Securities reflected a recent favourable circular in the wake of the merger with Akroyd and Smithers and closed a further 25 better at 680p, after 645p. Among Hire Purchases, Woodchester, in which Gartmore Information and Financial Trust holds a 7 per cent stake, advanced 7 more to a 1985 peak of 132p.

Leading Breweries finished on a steady-to-firm note despite cautious advices from a number of brokers in the wake of September's disappointing beer production figures. Scottish and Newcastle featured with a gain of 6 to 187p amid hopes of a favourable decision from the Trade and Industry Secretary regarding the company's offer for Blackburn-based Matthew Brown, 3 dearer at 440p. Other regionals trended better reflecting speculation that a go-ahead for S and N could stimulate other bids in the sector. Vaux hardened a few pence to 378p, while Wolverhampton and Dudley improved 4 to 392p. Elsewhere, Distillers encountered renewed profit-taking, most of which emanated from the US, and fell 10 to 450p; Argyll Group, which has reportedly failed to gain Take-over Panel approval to launch a bid until early next month, advanced 7 to 340p.

Selected Building material issues made progress on hopes that the Government may increase the level of spending on public sector housing. RMC moved up to a year's high of 474p prior to closing 4 dearer at 472p, while Redland hardened a couple of pence to 345p. BPB Industries closed 3 dearer at 328p, after 330p. Blue Circle, a dull market on Monday on worries about the possibility of reduced earnings from Mexico following the sharp fall in the peso, edged up to 590p before drifting back to close unchanged at 585p. Elsewhere, confirmation that the company is selling its Ariel International property portfolio to a Dutch group failed to sustain George Wimpey which eased a couple of pence to 137p. Costain remained on offer and shed 6 for a two-day fall of 20 to 482p, but John Mowlem were firm on Dartford Tunnel project hopes and gained 8 more to 344p, after 348p. Tay Homes firmed 6 to 54p, the board's confident statement about current trading outweighted the reduced annual profits. Profit-taking clipped 4 from Ward Holdings at 234p.

ICI, a firm and active market recently, fluctuated narrowly around the overnight level of 684p before late selling left the close a net 7 off at 677p. A broker's profits downgrading continued to depress Hickson International, down 4 at 327p, a two-day loss of 26.

Stores below best

Leading Stores often advanced to new highs for the year in initial trading as investors continued to adopt an optimistic view of consumer spending trends. Enthusiasm petered out during the afternoon, however, and many issues finished well below best levels. Burton, up to 583p at one stage, reverted to the overnight 570p, while Woolworth closed only 5 up on balance at 600p, after 610p. Dixons touched a new peak of 946p before closing a net 10 higher at 937p, but Habitat Mothercare, interim results expected at the start of next month, remained relatively firm and finished 8 higher at 524p.

Mail-orders also closed below best levels with Grattan 6 up at 368p, after 360p. J. Hepworth, up to 230p in immediate response to the better-than-expected preliminary figures, reacted to profit-taking and closed 6 cheaper on balance at 220p. In contrast, Goldsmiths, a depressed market in recent weeks, rallied 10 to 180p.

Electrocomponents reacted from an initial firm level of 350p to end the day 12 down on balance at 333p following the chairman's profits warning which accompanied the interim results. Elsewhere in Electricals, Micro Focus relinquished 10 to 140p following nervous offering ahead of Friday's preliminary figures, while Telemetrix, still reflecting the chairman's profits warning at the annual meeting, lost 10 more to 140p. Brikat, on the other hand rose 10 to 238p in response to the results and Electronic Rentals drew strength from a broker's circular and closed 3 to the good at 49p. Cable and Wireless, initially higher at 625p in reply to de Zoete and Bevan's circular, reacted late to close the day 5 lower on balance at 600p amid vague rumours that the Government will announce details of the sale of its remaining shares in the company tomorrow.

Laird Group, up 12 at 219p after 221p, on news of their share in the £182m British Rail contract, provided the main feature in an otherwise relatively quiet Engineering sector. Everad gave up 8 to 223p, while TI eased 4 to 400p on the lack of any bid developments. Glynwed hardened 4 to 244p on the acquisition of Delta's Birmingham based copper tube business. Delta Group closed 2 better at 171p. Thomas Robinson met fresh support and put on 7 to 145p, while C. H. Bailey, reflecting further speculative activity, improved 1½ to 20½p.

J. Sainsbury advanced to a year's high of 372p before closing a net 6 up at 364p following excellent interim results. Tesco rose 10 to 288p in sympathy. Elsewhere in the Food sector, Unigate found support and firmed 4 to 223p; the interim figures are due on November 27.

Gomme Holdings up

Gomme Holdings, reflecting satisfactory preliminary figures and the encouraging statement, advanced 8 to 57p, but Bestwood fell to 390p before closing 5 cheaper at 410p on the £4.2m rights issue accompanying by a dividend and profit forecast. Renewed demand lifted Cookson 13 more to 380p, while bid hopes continued to rain Marley, up 5 further at 116p, and Blundell Permoglaze, 9 dearer at 122p. Dalgety, a dull market of late on worries about the tin crisis, rallied 6 to 448p. Parkfield, still reflecting Press mention, hardened 3 more to 190p, while Keep Trust came to life, closing 6 to the good at 96p, after 100p. Bid speculation revived in Cope Allman which picked up 10 at 258p. Booker McConnell were supported at 305p, up 10, along with Macarthys Pharmaceuticals, 8 firmer at 225p. UDO Holdings responded to the preliminary figures with a gain of 10 at 240p. Leading miscellaneous industrials failed to hold early improvements. Boots, partly reflecting an initial flurry in the stores sector, touched 233p before falling back to close 4 cheaper on the day at 223p.

Paper/Printings again highlighted Delyn Packaging which attracted fresh speculative support and advanced 15 for a two-day gain of 27 to 122p; the first-half figures are scheduled for Friday week.

Among Properties, Rosehaugh, a good market of late, settled ½ down at £17 following the annual results and share sub-division proposal, but Bradford Property Trust rose 10 to 425p in reply to the increased half-year profits. Profit-taking clipped 10 from London and Edinburgh at 445p. Marler Estates, on the other hand, continued to attract buyers and gained 5 more to 190p.

Among Financials, Britannia Arrow met further profit-taking and dipped 3 to 149p—still 9 above the unwelcome share-exchange terms from Guinness Peat. Support was noted for Ivory and Sime, another 7 to the good at a 1985 high of 182p.

Oils easier

Leading oils edged higher for much of the day, but eased after-hours amid rumours that Saudi Arabia is about to announce price cuts or further "net-back" deals. BP rose to 566p before easing back to close unaltered on the day at 560p. Shell, scheduled to announce third-quarter results on Thursday, settled 5 off at 680p, after 670p. Lasmo ran back 7 to 240p, as did Ultramar to 198p. Elsewhere, Australia's Oil Search dipped 3½ more to 19½p in the wake of the disappointing drilling report from Papua New Guinea.

Golds under pressure

South African sectors of mining markets fell away to their lowest levels since mid-July 1982 following another weak performance by the Financial Rand rate. The latter came under sustained pressure in early trading and dipped to a record low against the U.S. dollar before steadying after-hours. Gold shares fell rapidly early on, reflecting the absence of any significant support, but later tended to stabilise.

Nevertheless, share prices failed to recoup all of their initial losses and the Gold Mines index retreated a further 5.3 to 217.6 — its eighth successive decline.

Leading heavyweights slumped to their lowest levels this year with Randfontein £3½ down at £39½ and Buffels ½ off at £13. Among the cheaper priced stocks Modder "B" dipped 15 to 40p, Consolidated Modderfontein 25 to 188p an Ergo 25 to 233p.

Financials were equally depressed with South Africa's "Johnnies" £4 down at £40, Middle Wits 50 lower at 450p and New Wits 50 cheaper at 250p. London domiciled stocks drifted on lack of interest with Consolidated Gold Fields finally 9 off at 450p.

failed to prevent a further decline. The closure of the Melbourne market overnight for Cup Day fails to prevent a further decline in Sydney. London dealers marked Australians lower at the outset and with Sterling's improvement against the Australian dollar proving an additional depressant, "down-under" mining issues drifted lower throughout.

Concern over the tin crisis on the LME prompted fresh selling of the Cornish producer Geevor which dropped to 75p prior to closing a net 10 off at 80p. Malaysian Tins fared better with Ayer Hitam 5 firmer at 205p and Sungei Besi a like amount up at 155p.

Demand for Traded Options improved sharply with total contracts done amounting to 11,984. The FT-SE 100 index contract accounted for 957 calls and 943 puts. Elsewhere, operators displayed fresh enthusiasm for Courtaulds calls ahead of the interim results due in the next Account and 1,090 trades were struck, 697 in the January 160's. Bats were also lively and recorded 2,083 calls, the November 280's and February 300's attracting 713 and 867 trades respectively.

FINANCIAL TIMES STOCK INDICES

	Nov. 5	Nov. 4	Nov. 1	Oct. 31	Oct. 30	Oct. 29	year ago
Government Secs	83.87	83.93	83.83	83.98	84.04	83.84	82.64
Fixed Interest	89.60	89.64	89.67	89.64	89.59	89.48	86.33
Ordinary ♥	1073.0	1071.1	1070.8	1069.1	1067.3	1061.3	901.0
Gold Mines	217.6	222.0	237.9	246.0	246.6	248.4	535.9
Ord. Div. Yield	4.47	4.48	4.48	4.48	4.51	4.54	4.73
Earnings, Yld. % (full)	10.97	10.98	10.97	10.98	11.04	11.12	11.27
P/E Ratio (net) (*)	11.27	11.26	11.27	11.25	11.19	11.11	10.64
Total bargains (Est.)	24,721	25,431	24,333	25,105	24,412	24,372	21,372
Equity turnover £m.	—	415.83	529.57	578.32	576.67	499.67	313.39
Equity bargains	—	24,834	24,321	24,233	24,984	22,648	19,292
Shares traded (ml)	—	220.2	239.4	269.5	301.1	240.8	158.2

♥ 10 am 1081.2. 11 am 1081.7. Noon 1081.4. 1 pm 1079.9. 2 pm 1078.9. 3 pm 1077.7. 4 pm 1073.9.

Day's High 1083.2. Day's Low 1072.7.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil = 10.87.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.57 (18/10)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	90.38 (28/10)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1073.0 (5/11)	911.0 (11/1)	1073.0 (5/11/85)	49.4 (26/6/40)
Gold Mines	536.2 (15/4)	217.6 (5/11)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	Nov. 4	Nov. 1
Daily Gilt Edged Bargains	137.9	134.3
Equities Bargains	160.9	157.6
Value	840.5	107.0
5 day average Gilt Edged Bargains	130.2	128.2
Equities Bargains	157.7	155.7
Value	1051.1	1051.3

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	14	53	41
Corpns. Dom. and Foreign Bonds	8	11	62
Industrials	344	278	866
Fin. and Props.	142	54	368
Oils	19	37	71
Plantations	1	7	6
Mines	33	87	67
Others	77	45	94
Totals	640	572	1,576

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BAT Inds	296	+13
Distillers	450	−10
Dixons Group	937	+10
Electrocomponents	333	−12
Hepworth (J.)	220	− 6
Keep Trust	96	+ 6
Mowlem (J.)	344	+ 8
P & O Deferred	425	+10
Reed International	670	−15
Sainsbury (J.)	364	+ 6
Scot and Newcastle	187	+ 6
Sound Diffusion	34	− 7

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. closed	Day's change
Oxford Instr	21	392	+44
ICI	17	684	+10
De Beers Dfd	14	265	−15
Distillers	14	460	− 6
Blue Circle	13	585	−13
Breakmate	13	138	+11
Glaxo	13	£16	+ ½
Midland Bank	13	441	−10
BAT Inds	12	285	+ 2
Britannia Arrow	12	152	− 1
Sound Diffsn	12	41	− 4
Taylor Wood.	12	535	− 3

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Tues Nov 5 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Mon Nov 4 Index No.	Fri Nov 1 Index No.	Thurs Oct 31 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (207)	[illegible]									
2 Building Materials (22)	[illegible]									
3 Contracting, Construction (28)	[illegible]									
4 Electricals (13)	[illegible]									
5 Electronics (39)	[illegible]									
6 Mechanical Engineering (61)	[illegible]									
8 Metals and Metal Forming (7)	[illegible]									
9 Motors (17)	[illegible]									
10 Other Industrial Materials (20)	[illegible]									
21 CONSUMER GROUP (177)	[illegible]									
22 Brewers and Distillers (25)	[illegible]									
25 Food Manufacturing (22)	[illegible]									
26 Food Retailing (14)	[illegible]									
27 Health and Household Products (9)	[illegible]									
29 Leisure (24)	[illegible]									
31 Newspapers, Publishing (11)	[illegible]									
32 Packaging and Paper (13)	[illegible]									
34 Stores (42)	[illegible]									
35 Textiles (16)	[illegible]									
36 Tobaccos (3)	[illegible]									
41 OTHER GROUPS (98)	[illegible]									
42 Chemicals (18)	[illegible]									
44 Office Equipment (4)	[illegible]									
45 Shipping and Transport (11)	[illegible]									
46 Miscellaneous (63)	[illegible]									
48 Telephone Networks (2)	[illegible]									
49 INDUSTRIAL GROUP (482)	[illegible]									
51 Oils (18)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (114)	[illegible]									
62 Banks (6)	[illegible]									
65 Insurance (Life) (9)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (7)	[illegible]									
68 Merchant Banks (11)	[illegible]									
69 Property (53)	[illegible]									
70 Other Financial (23)	[illegible]									
71 Investment Trusts (107)	[illegible]									
81 Mining Finance (3)	[illegible]									
91 Overseas Traders (14)	[illegible]									
99 ALL-SHARE INDEX (730)	[illegible]									

	Index No.	Day's Change	Day's High	Day's Low	Nov 4	Nov 1	Oct 31	Oct 30	Oct 29	Year ago
FT-SE 100 SHARE INDEX	1383.7	+2.8	1395.9	1383.7	1380.9	1379.0	1377.2	1373.8	1364.4	1161.4

FIXED INTEREST

PRICE INDICES	Tues Nov 5	Day's change %	Mon Nov 4	xd adj. today	xd adj. 1985 to date
British Government					
1 5 years	119.34	−0.01	119.40	0.45	18.06
2 5-15 years	133.37	−0.06	133.45	—	11.67
3 Over 15 years	138.64	−0.05	139.18	0.47	11.77
4 Irredeemables	149.55	−0.27	149.95	—	13.34
5 All stocks	130.95	−0.04	131.22	0.24	13.34
6 Debentures & Loans	114.40	+0.05	114.35	—	8.97
7 Preference	83.28	−0.33	83.47	—	5.77
BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8 All stocks	110.57	+0.10	110.46	—	2.49

AVERAGE GROSS REDEMPTION YIELDS

			Tues Nov 5	Mon Nov 4	Year ago (approx.)
British Government					
1 Low Coupons	5 years		[illegible]	[illegible]	[illegible]
2	15 years		[illegible]	[illegible]	[illegible]
3	25 years		[illegible]	[illegible]	[illegible]
4 Medium Coupons	5 years		[illegible]	[illegible]	[illegible]
5	15 years		[illegible]	[illegible]	[illegible]
6	25 years		[illegible]	[illegible]	[illegible]
7 High Coupons	5 years		[illegible]	[illegible]	[illegible]
8	15 years		[illegible]	[illegible]	[illegible]
9	25 years		[illegible]	[illegible]	[illegible]
10 Irredeemables			[illegible]	[illegible]	[illegible]
11 Debs & Loans	5 years		[illegible]	[illegible]	[illegible]
12	15 years		[illegible]	[illegible]	[illegible]
13	25 years		[illegible]	[illegible]	[illegible]
14 Preference			[illegible]	[illegible]	[illegible]
15 Inflation rate 5%			[illegible]	[illegible]	[illegible]
16 Inflation rate 10%			[illegible]	[illegible]	[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
GOLD C	$320	6	6	—	—	—	—	$325.05
GOLD C	$340	43	0.40	20	8.00	—	—	"
GOLD C	$360	8	0.10	—	—	3	6.50	"
GOLD P	$300	—	—	6	3	—	—	"
[illegible]								

TOTAL VOLUME IN CONTRACTS: 33,150

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing Price p	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing Price £	+ or −
[illegible]							

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing Price p	+ or −
55	F.P.	27/11	67	63	Brasway 10p	67	+1
60	F.P.	21/11	90	76	Crowther (J)	90	+1
165	F.P.	6/11	237	180	ORG	237	+1
106	Nil	—	34pm	31pm	Fisher (Albert) 5p.	34pm	—
100	Nil	6/12	36pm	28pm	Garfunkels' Rest. 10p	34pm	—
295	F.P.	6.12	363	330	Mt. Ridge	343	−1

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. H Dividend and Yield based on prospectus or other official estimates for 1985. n Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment price. ‡‡ Dealt in under Rule 535 (3). ● Dealt in under Rule 535 (4) (a). † Units comprising 5 ordinary shares and 1 warrant.

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (151)

CORPORATION LOANS (1)
BANKS (7)
BREWERS (2)
BUILDINGS (8)
CHEMICALS (2)
STORES (17)
ELECTRICALS (7)
ENGINEERING (3)
FOODS (10)
HOTELS (2)
INDUSTRIALS (23)
INSURANCE (11)
LEISURE (1)
MOTORS (1)
PAPER (3)
PROPERTY (7)
SHOES (1)
TEXTILES (6)
TRUSTS (37)

NEW LOWS (79)

AMERICANS (3)
Rockwell Intl. US Steel
Tracor
CHEMICALS (1)
Hickson Intl.
ELECTRICALS (10)
AB Electronic Phicom
Acorn Computer Prestwick
Arcolectric A N-V Sound Diffusion
Cifer TDS Circuits
Compsoft Telemetrix
INDUSTRIALS (2)
Biddle Pritchard Services
INSURANCE (1)
Liberty Life
LEISURE (1)
Nimslo Intl.
MOTORS (1)
AL
SHIPPING (1)
Sea Containers
TEXTILES (1)
Shaw Carpets
TRUSTS (1)
Newmarket
OILS (7)
Brunswick Oil Pennine Resources
Cluff Oil Premier Cons.
LASMO "Ops" Southwest Resources
Magellan Petroleum
PLANTATIONS (1)
Williamson Tea
MINES (48)

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Nov 4	Nov 15	Feb 6	Feb 17
Nov 18	Nov 29	Feb 20	Mar 3
Dec 2	Dec 13	Mar 6	Mar 17

For rate indications see end of Unit Trust Service

Money was given for the call of Vosper, West Coast, Lyle Shipping, Blyvoor, Amstrad, Stockley, Sound Diffusion, Juliana's, C. H. Bailey, Western Mining, Plessey, Oil Search and Edmond Holdings. A put was taken out in Dixons, while doubles were arranged in ICC and Aspinall.

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
[illegible]							

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
P. & O. (*425)	390	42	33	60	2	7	11
	420	17	30	40	6	17	22
	460	2	13	22	35	37	40
Racal (*130)	120	14	22	30	2	4	6
[illegible]							

November 5 Total Contracts 11,984 Calls 8,612 Puts 3,372
*Underlying security price

WORLD STOCK MARKETS

AUSTRIA

Nov. 5	Price Sch %	+ or —
Creditanst'lt ppd	370	+2
Goesser	483	-7
Interunfall	1,455	-5
Laenderbank	542	+2
Perimooser	616	-15
Stey-Daimler	147	+1
Veitscher Mag.	745	

BELGIUM/LUXEMBOURG

Nov. 5	Price Frs.	+ or —
B.B.L.	8,580	
Banq. Gen. Lux	8,850	
Banq. Int.A.Lux	8,100	
Bekaert	7,910	
Ciment CBR	8,670	+10
Cockerill	915	+5
Delhaize	8,700	-100
EBES	3,700	-10
Electrobel	10,600	-100
Fabrique Nat.	2,250	-65
GB Inno BM	6,130	
GBL (Brux)	2,700	-15
Gevaert	4,795	-10
Hoboken	6,680	
Intercom	2,780	+26
Kredietbank	10,250	
Pan Hldgs	9,500	
Petrofina	9,940	-150
Royale Belge	17,200	-350
Soc. Gen. Banq.	4,400	-95
Soc. Gen. Belge	2,395	
Sofina	8,470	-20
Solvay	5,870	+40
Stanwick Intl	1,170	
Tractionel	4,900	+10
UCB	5,550	+60
Wagon Lits	4,870	+5

DENMARK

Nov. 5	Price Knr %	+ or —
Andelsbanken	386	+12
Baltic Skand	585	
Cop Handelsb'nk	338	+4
D. Sukkerfab	475	+5
Danske Bank	372	+4
De Danske Luft.	1,480	
East Asiatic	248	+8
Forenede Brygg.	1,075	
Forenede Damp.	239	+5
GNT Hld	655	
I.S.S.B.	915	
Jyske Bank	710	
Novo Inds	1,200	+10
Privatbanken	385	+2
Provinsbanken	472	+7
Smidth (F.L.) B	517	+8
Sophus Berend.	1,105	
Superfos	399	+7

FRANCE

Nov. 5	Price Frs.	+ or —
Emprunt 4½% 1973	1,561	-8
Emprunt 7% 1973	8,021	+11
Accor	276.8	+9.8
Air Liquide	566	
BIC	477	-1
Bongrain	1,460	-40
Bouygues	781	
BSN Gervais	2,350	+5
CIT Alcatel	1,280	+20
Carrefour	2,400	
Club Mediter'n	470	+2
Cie Bancaire	695	
Cofimeg	292	+2
Damart	1,775	-5
Darty	1,655	-9
Dumez S.A.	753	+4
Eaux (Cie Gen)	679	+15
Elf-Aquitane	194	-3
Essilor	1,900	+30
Gen.Occidentale	683	+10
Imetal	74.5	+2.8
Lafarge Coppee	569	+21
L'Oreal	3,379	+9
Legrand	3,120	+60
Maisons Phenix	189	-1
Matra S.A.	1,510	+25
Michelin B	1,170	+32
Midi (Cie)	3,435	+65
Moet-Hennessy	1,941	+6
Moulinex	88	
Nord Est	106.1	+0.1
Pernod Ricard	784	+7
Perrier	455	
Petroles Fra.	268.1	-4.8
Peugeot S.A.	395	-0.5
Printemps (Au)	264.6	-1
Radiotech	385	+11
Redoute	1,660	+10
Roussel-Uclaf	1,490	-9
Sefimeg	350	-7
Skis Rossignol	1,445	+65
Telemec Elect	2,520	-40
Thomson (CSF)	604	+29
Valeo	260	-0.5

GERMANY

Nov. 5	Price Dm.	+ or —
AEG	259.7	+13.2
Allianz Vers	1,818	-57
BASF	260.5	-5.5
Bayer	259.2	-5.3
Bayer.Hypo	426	
Bayer-Verein	427	-11
BHF-Bank	425	-10
BMW	530	-20
Brown Boveri	292	-16
Commerzbank	272.5	-7.3
Cont'l. Gummi	183	-4
Daimler-Benz	1,130	-6
Degussa	457	-14.5
D'sche Babcock	229	-9
Deutsche Bank	712.6	-17.5
Dresdner Bank	346	-5
GHH	227	-19
Hochtief	820	-20
Hoechst	257.6	-4.3
Hoesch Werke	159	-4
Holzmann (P)	510	-10
Horten	203	-9
Hussel	370	
Karstadt	279	-1
Kaufhof	615	-6
KHD	524	-7
Kloeckner	94	-5.2
Linde	990	-10
Lufthansa	223.5	-0.5
MAN	208	-7
Mannesmann	256.5	-3
Mercedes Hld	1,033	+4
Metallgesell	300	-25
Muench Rueck	9,250	-240
Nixdorf	972	-12
Porsche	1,283	-18
Preussag	250	-9
Rhein West Elect	909.9	-3.9
Rosenthal	995	
Schering	632	-10.5
Siemens	663	-14
Thyssen	172	-6.8
Varta	989	-19
Veba	265.8	-9.2
V.E.W.	144.2	-2.9
Verein-West	354	-4
Volkswagen	369.5	-1.3

ITALY

Nov. 5	Price Lira	+ or —
Banco Com'le	24,880	-10
Bastogi-IRBS	432	+8
Centrale	5,861	-39
C.I.R.	6,285	-16
Credito Italiano	3,259	+50
Fiat	4,501	-119
Generali Assicur.	64,890	-610
Italcementi	49,000	+1000
La Rinascente	965.0	-8
Montedison	2,445	-48
Olivetti	7,415	-12
Pirelli Co	6,340	-195
Perelli Spa	3,339	-53
Saipem	7,020	-49
Snia BPD	4,071	-22
Toro Assic	21,500	

NETHERLANDS

Nov. 5	Price Fls	+ or —
ACF Holding	240	
AEGON	100.2	+0.2
Ahold	277.5	+1.3
AKZO	129.5	+3.5
ABN	650	+2
AMEV	74.4xc	+0.4
AMRO	98.5	+0.7
Bredero Cert.	170	-8
Bos Kalis Westm.	15.9	-0.1
Buehrmann-Tet.	123.2	+9
Calland Hlgs.	27.6	-0.1
Dordtsche Pet'm	173.8	-1.2
Elsevier-NDU	145.5	+0.5
Fokker	79	+0.5
Gist Brocades	244	+0.6
Heineken	186.7	+2.5
Hoogovens	70.8	+5
Int Mueller	61.5	+1
KLM	93.8	+1
Naarden	52.4	-0.2
Nat Ned Cert.	76.7	-1.3
Ned Mid Bank	218.8	+0.8
Nedlloyd	183.8	+0.6
Oce Grinten	361.5	+2.6
Ommeren (Van)	28.1	-0.3
Pakhoed	78.5	+3.2
Philips	49.5	+0.5
Robeco	79.5	+0.1
Rodamco	155.4	+0.1
Rolinco	71	+0.2
Rorento	48.9	
Royal Dutch	186.5	-1.6
Unilever	361.3	-0.7
VMF Stork	245	
VNU	250	+1.2
Wessanen	223.5	+4
West Utr.Bank	93	-1.2

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NORWAY

Nov. 5	Price Kroner	+ or —
Bergens Bank	169.5	+0.5
Borregaard	456	+13.5
Christiania Bank	178.5	+2.5
DenNorske Cred	174.5	+4.5
Elkem	93.5	-1.5
Kosmos	175	-5
Kvaerner	171	+2
Norske Data	430	+3
Norsk Hydro	152.5	+1.5
Storebrand	301	-6

SPAIN

Nov. 5	Price Pts %	+ or —
Bco Bilbao	370	+5
Bco Central	328	+2
Bco Exterior	203	
Bco Hispano	155	-2
Bco Popular	384	+4
Bco Santander	578	+1
Bco Vizcaya	517	
Dragados	140	-3
Hidrola	82	-1.7
Iberduero	96.2	-2.5
Petroleos	141	+0.6
Telefonica	126.2	+0.5

SWEDEN

Nov. 5	Price Kronor	+ or —
AGA	158	+8
Alfa-Laval B	246	+5
ASEA (Free)	295	
Astra (Free)	485	
Atlas Copco	145	+2
Cardo (Free)	230	+5
Cellulosa	145	+8
Electrolux B	180	+8
Ericsson B	194	+5
Esselte	380	
Mo och Domsjo	197	+9
Pharmacia	199	+9
Saab Scania Free	445	+10
Sandvik	570	+5
Skandia	258	+1
Skan Enskilda	66.5	+3.5
SKF	268	+2
Sonneson	172	-2
Stora Kopparbrg	160	-1
Sven Handlesbn	201	+6
Swedish Match	926	+7
Volvo B (Free)	265	+5

SWITZERLAND

Nov. 5	Price Frs.	+ or —
Adia Intl.	4,475	+85
Alusuisse	690	+19
Bank Leu	4,300	+250
Brown Boveri	1,870	+10
Ciba Geigy	5,550	+45
do. (Part Certs)	2,900	+50
Credit Suisse	3,250	+25
Elektrowatt	3,325	-39
Fischer (Geo.)	2,140	+8
Hoff-Roche PtCts	108,125	+500
Hoff-Roche 1/10	10,850	+75
Jacobs Suchard	7,775	+50
Jelmoli	3,450	+30
Landis & Gyr	2,260	+10
Nestle	7,875	+25
Oer-Buehrle	1,445	-15
Pirelli	396	+6
Sandoz (Br)	9,480	-20
Sandoz (Pt Cts)	1,600	+10
Schindler (PtCts)	910	+35
Sika	1,800	+100
Surveillance A	5,950	+40
Swissair	1,550	+7
Swiss Bank	519	+3
Swiss Reinsce	12,825	-25
Swiss Volksbk.	9,225	+20
Union Bank	4,820	+20
Winterthur	4,875	+135
Zurich Ins.	5,725	+75

AUSTRALIA

Nov. 5	Price Aust.$	+ or —
ANZ Group	9.02	
Ampol Pet	2.47	-0.01
Ashton	1.05	+0.02
Aust. Cons. Ind.	2.9	-0.02
Aust. Guarantee	2.91	+0.01
Aust. Nat. Ins.	2.87	-0.11
APM	6.9	+0.02
Bell Group	10.9	-0.1
Bell Res.	5.1xc	
Bond Corp Hldgs	2.2	
Boral	5.25	-0.05
Bougainville	1.95	
Brambles Inds	4.8	-0.05
Bridge Oil	2.5	+0.05
B. H. Prop.	8.4	+0.1
CRA	9.52	+0.02
CSR	3.42	-0.02
Castlemaine Tys	8.1	
Coles (G.J.)	4.2	-0.05
Comalco "A"	1.78	
Consolidated Pet	0.4	-0.02
Costain Aust.	2.35	
Dunlop Olympic	2.89	+0.04
Elders IXL	3.1xc	+0.15
Energ Res	1.66	+0.11

AUSTRALIA (continued)

Nov. 5	Price Aust.$	+ or —
Gen. Prop. Trust	2.06	-0.01
Hardie (James)	3.38	
Hartogen Energy	2.25	
Herald W'yTimes	8.0	
ICI Aust	2.27	
Jimberlana F.P.	0.25	
Kia Ora Gold	0.19	+0.01
Lend Lease	6.5	-0.04
MIM	2.46	-0.02
Mayne Nickless	3.4	-0.05
Myer Emporium	3.65	
Nat. Aust. Bank	4.9	+0.02
News	8.75	-0.08
Nicholas Kiwi	2.5	
NorandaP'c.P/pd	0.70	
North Bkn Hill	2.5	+0.03
Oakbridge	1.38	-0.04
Pancontinental	1.75	
Pioneer Conc	2.18	-0.08
Poseidon	3.62	-0.03
Queensland Coal	1.52	
Reckitt & Colman	3.8	-0.05
Repco	1.4	-0.02
Santos	5.4	-0.05
Smith (Howard)	3.5	-0.1
Thos. Natwide	2.45	
Tooth	9.8	
Vamgas	3.5	
Western Mining	3.55	
Westpac Bank	4.8	-0.02
Woodside Petrol	1.39	-0.01
Woolworths	3.4	+0.02
Wormad Intl.	3.88	0.12

HONG KONG

Nov. 5	Price H.K.$	+ or —
Bank East Asia	22.7	-0.2
Cheung Kong	20.5	-0.5
China Light	17.6	
Evergo	0.57	-0.03
Hang Seng Bank	45.25	+0.25
Henderson Land	2.27	-0.05
HK China Gas	11.5	
HK Electric	6.35	+0.05
HK Kowloon Wh.	7.4	
HK Land	6.9	
HK Shanghai Bk.	7.5	+0.05
HK Telephone	9.05	-0.05
Hutchison Wpa	27.4	-0.4
Intnl. City	0.97	-0.01
Jardine Math	13.1	-0.3
New World Dev.	8.5	
Orient O'seas	1.99	
SHK Props	13.3	-0.3
Shell Elect	0.92	
Swire Pac A	28.9	-0.1
TV—B	6.15	+0.05
World Int. Hldgs.	2.4	-0.05

JAPAN

Nov. 5	Price Yen	+ or —
Ajinomoto	1,110	
All Nippon Air	919	-3
Alps Electric	1,480	-20
Asahi Chem	764	-14
Asahi Glass	869	+6
Bank Tokyo	778	+23
Bridgestone	585	
Brother Inds	584	+15
Canon	1,130	
Casio Comp	1,730	-20
Daiei	730	
Dia-Ichi Kan. Bk.	1,520	
Dia Nippon Ink	300	
Dia Nippon Ptg	1,100	
Daiwa House	929	+4
Daiwa Sec.	815	+11
Eisai	1,280	+30
Fanuc	7,500	-50
Fuji Bank	1,510	
Fuji Film	1,900	-30
Fujisawa	850	+7
Fujitsu	870	+9
Furukawa Elect.	340	+2
Green Cross	2,250	-50
Heiwa Real Est.	783	
Hitachi	708	-8
Hitachi Credit	1,070	-20
Honda	1,120	
Indl. Bk. Japan	1,220	+20
Ishikawajima Hr.	169	-3
Isuzu Motors	360	+10
Itoh (C)	427	+6
Ito-Yokado	3,140	+50
JAL	6,440	-20
Jusco	960	-30
Kajima	508	-11
Kao Soap	934	+5
Kawasaki Steel	143	+1
Kirin	769	+9
Kobe Steel	187	-4
Komatsu	580	-20
Konishiroku	690	
Kubota	354	-3
Kumagai	745	-1
Kyocera	4,050	-90
Marubeni	364	+16
Marui	1,550	
Mazda Motors	409	+8
Meiji Seika	542	
MEI	1,180	
M'bishi Bank	1,450	-10
M'bishi Chem	507	+2
M'bishi Corp	620	+29
M'bishi Elect	344	+5
M'bishi Estate	1,570	-10

JAPAN (continued)

Nov. 5	Price Yen	+ or —
MHI	368	-20
Mitsui Bank	1,150	+20
Mitsui	435	+10
Mitsui Estate	1,050	-20
Mitsui Toatsu	925	-1
Mitsukoshi	830	
NGK Insulators	885	+15
Nikko Sec.	785	-1
Nippon Denso	1,430	+30
Nippon Elect	1,140	
Nippon Express	917	-7
Nippon Gakki	1,530	+20
Nippon Kogaku	886	-14
Nippon Kokan	138	+3
Nippon Oil	790	+4
Nippon Seiko	488	
Nippon Shimpan	715	
Nippon Steel	193	+1
Nippon Suisan	389	-6
Nippon Yusen	262	
Nissan Motor	600	+20
Nisshin Flour	495	
Nomura	1,090	
Olympus	1,050	
Onoda Cement	339	+8
Orient Finance	920	-10
Orient Leasing	3,560	+20
Pioneer	1,610	-40
Ricoh	1,090	-30
Sankyo	1,150	+40
Sanwa Bank	1,270	-10
Sanyo Elect	420	+11
Sapporo	604	-2
Sekisui Prefab	890	-5
Seven-Eleven	6,450	-150
Sharp	850	+9
Shimizu Constn	597	-2
Shionogi	765	+3
Shiseido	1,290	-10
Showa Denko	919	+1
Sony	3,720	-80
S'tomo Bank	1,730	+20
S'tomo Chem	283	+1
S'tomo Corp	750	+14
S'tomo Elect	865	+22
S'tomo Metal	144	
Taisei Corp	544	-5
Taisho Marine	570	-10
Taiyo Kobe Bank	725	
Takeda	883	+6
TDK	4,080	+50
Teijin	511	+1
Toa. Nenryo	1,070	+10
Tokai Bank	1,020	+10
Tokio Marine	957	+12
Tokyo Elect Pwr	2,470	
Tokyo Gas	616	
Tokyu Corp	970	
Toppan Print	889	-1
Toray	525	+9
Toshiba Elect	358	-3
Toyo Seikan	1,460	+30
Toyota Motor	1,190	+10
UBE Inds	285	-1
Victor	1,380	-30
Yamaha	865	+9
Yamaichi Sec	738	-2
Yamazaki	924	+1
Yasuda Fire	654	-1

SINGAPORE

Nov. 5	Price $	+ or —
Boustead Hldgs	1.48	+0.01
Cold Storage	3.24	+0.04
DBS	6.9	+0.05
Genting	5.85	
Haw Par. Bros.	2.19	+0.01
Hong Leong Fin.	2.50	
Inchape Bhd	2.08	
Keppel Shipyard	1.17	-0.01
Malay Banking	6.95	
Malay Utd. Ind.	2.28	-0.02
Multi Purpose	0.82	+0.02
OCBC	8.65	+0.05
OUB	2.79	+0.01
Public Bank	1.39	+0.01
Sime Darby	1.71	
Singapore Press	6.7	+0.05
Straits Trdg.	2.8 xc	+0.08
Tai Lee Bk	2.56	+0.01
UOB	3.68	

SOUTH AFRICA

Nov. 5	Price Rand	+ or —
Abercom	1.53	
AECI	7.75	
Allied Tech	59	
Anglo Am. Coal	56.5	+1.5
Anglo Am. Corp	34.75	-0.25
Anglo Am. Gold	176	-9
Barclays Bank	15.7	
Barlow Rand	10.9	+0.1
Buffels	76	-1.25
CNA Gallo	3.80	
Currie Finance	4.65	
De Beers	15.35	-0.35
Driefontein	50.5	-1.5
FS Geduld	72	-1
Gold Fields SA	36	-0.5
Highveld Steel	6.15	+0.75
Nedbank	8.45	-0.25
OK Bazaars	10	
Protea Hldgs	2.10	-0.05
Rembrandt	44.75	
Rust Plat	24	-0.75
Safren	10.75	-0.25
Sage Hldgs	10	
SA Brews	6.25	-0.2
Smith (CG)	31.75	
Tongaat Hulett	6.15	
Unisec	5.85	

CANADA

TORONTO

Prices at 2.30pm November 5

[illegible]

MONTREAL

Closing prices November 4

[illegible]

F—No voting rights or restricted voting rights.

Indices

NEW YORK—DOW JONES

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

TORONTO

[illegible]

** Saturday November 2: Japan Nikkei 12,809.98. TSE 1,019.97.

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrials—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 41

[illegible]

LONDON Chief price changes (In pence unless otherwise indicated)

RISES

Cookson	350	+13
Cope Allman	258	+10
Dalyn Packaging	125	+15
Electr Rentals	133½	+15
Equity & Law	283	+10
Goldsmiths	180	+10
Gomme Hldgs	37	+8
Hill Samuel	343	+8
Keep Trust	87	+8
Laird Group	219	+12
Marley	114	+5
Mercury Secs	630	+25
Mowlem (J)	344	+8
Pearl Assurance	£13⅞	+⅜
Sainsbury (J)	384	+8
Scottish & New	187	+8
Tesco	285	+10
Woodch'Invs.	132	+7

FALLS

Distillers	450	-10
Electrocomp	395	-10
Hepworth (J)	220	-10
Micro Focus	140	-10
Sound Diffusion	94	-10

Prices at 3pm, November 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quote	Ch'ge Prev. Close
24⅜	15	AAR	.55	2.4	15	13	22⅞	22¾	22⅞	+⅛
17⅝	9¾	AGS			13	94	16	15⅞	16	+⅛
14	9⅝	AMCA				10	10	10	10	+⅛
50¾	29¾	AMR			7	5690	39½	39	39¼	−¾
22	19	ANR pf2.12		11.		2	20	20	20	+¼
13¾	7⅛	APL				5	9⅝	9⅜	9⅝	−⅛
61⅛	32¾	ASA		2	60	425	34	33	33½	−⅜
27	10½	AVX	.32	3.0		51	11	10¾	10¾	−⅛
36⅛	19¼	AZP	2.72	11	7	1117	24¾	24⅛	24¾	+½
60	38⅝	AbtLab 1.40		2.4	16	1231	58⅞	58¼	58½	+¼
25⅞	19⅝	AccoWd .55		2.2	17	44	23	22⅝	22⅞	+⅛
24¾	11⅛	AcmeC .40		3.5		41	11½	11⅛	11⅜	−¼
10½	7	AcmeE .32b		4.6	11	55	7	7	7	
19	15½	AdaEx 1.92e		11.		37	17⅝	17⅜	17½	+⅛
20	13½	AdmMl .32		1	9 6	76	19⅝	19⅜	19⅝	+⅛
14⅞	8⅝	AdvSys .53t		3.9	20	21	14	13¾	13¾	−⅛
36⅝	22¼	AMD			34	3395	23⅜	22¾	23	
11⅛	10¼	Adobe n				101	11	10⅞	10⅞	
15⅞	14¾	Adob pfA				6	14⅝	d14⅝	14⅝	−⅛
15½	15¼	Adob pfB				194	u15⅞	15⅝	15⅞	+⅜
12⅞	6⅞	Advest .12		1.2	14	139	9¾	9⅝	9⅝	−¼
14¼	6	AerFlex			13	27	14	13⅞	14	
50½	34⅞	AetnLf 2.64		5.2	17	5696	u53	50⅝	51⅛	+¾
57½	53¼	AetL pf5.41e		9.7		209	55	55⅛	55⅝	
38⅝	22⅛	Ahmns 1.20		3.2	9	4641	38½	37⅞	38	
3⅝	2½	Aileen				80	2¼	2⅜	2¼	
57	44½	AirPrd 1.48		2.7	12	633	55	54½	55	+½
[illegible]										

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from Page 40

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge
55½	33¾	Xerox	3	5.7	18	2251	52¾	52⅛	52¼	+⅛
30¼	24⅝	ZaleCp 1.32		4.5	13	162	30	29¼	29⅜	−⅜
18	7¼	Zapata	.13	1.5	56	423	8¼	8	8⅛	−⅛
57⅞	32⅝	Zayre s	.48	.8	13	1081	56¼	55½	55⅝	+1
25	16¼	ZenithE				538	20	19⅞	19¾	+¼
21¼	15¾	Zero s	.32	1.6	17	195	19⅞	19⅝	19¾	
39¼	25⅝	Zurnis 1.32		3.2	13	532	u41½	39¼	41	+1¾

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, November 5

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 39

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Wrestle with profit-takers continues

RENEWED buying of technology and financial service stocks pushed Wall Street to a trading peak at mid-session yesterday, *writes Terry Byland in New York.*

However, the market had to fight hard against profit-takers as it sought to follow a fresh advance in IBM and other overseas earners.

At the close the Dow Jones industrial average was down 8.99 at 1,396.67.

The bond market was also higher on expectations, which proved correct, that Venezuela would announce oil price cuts. Falling oil prices should keep inflation subdued in the US.

Computer, pharmaceutical, insurance and banking issues were in demand. Analysts expect the Dow 1,400 level to be tested soon if interest rates continue to fall.

Oil price hopes boosted airline stocks, resulting in a gain in the Dow transportation average.

But oil stocks turned easier on renewed nervousness over crude prices. At $53⅜, Exxon eased $⅜ in hefty turnover, and Chevron dipped $⅜ to $37⅞. Standard Oil of Ohio edged up $⅛ to $51½.

Heavy trading in IBM took it up $1⅛ to $133⅜, barely $5 from the year's peak. Digital Equipment, number two in the data processing industry, jumped $1½ to $116⅜. Data General, recovering strongly from recent weakness, added $1⅜ to $42⅜.

Drug company stocks, also benefiting from belief that the dollar is on the way down, were widely higher. The exception was Merck, the industry leader, which reversed its recent strength to fall $1¼ to $11⅜.

Bristol-Myers bounded ahead $2¼ to $60⅜. At $48, Pfizer gained $⅜, Upjohn added $⅜ to $123⅜ and Smithkline Beckman $⅜ to $69⅜.

Among interest-rate sensitive stocks, the insurance sector stood out. Chubb gained $1½ to $52½, Aetna Life & Casualty $1⅜ to $51¼ and Continental Corp $⅜ to $45⅜.

Banks extended their recent gains but also had to contend with profit-takers. J. P. Morgan at $53½ added $¼ while Bankers Trust was $⅜ up at $84½ and Citicorp $¼ better at $44⅛.

The Detroit car makers turned higher on the announcement of late-October sales. General Motors added $¾ to $68⅜, Chrysler $⅜ to $40⅞ and Ford $⅜ to $47⅜.

Special situations continued to find a ready response in the market. GenCorp at $61⅞ jumped $7⅞ after the RKO subsidiary sold its West Coast TV station to Westinghouse – and the market predicted a similar sale of its New York station. Westinghouse, a firm spot recently, eased $⅛ to $42¼.

Delta Air stood out strongly among the domestic carriers, with a gain of $1½ to $39½. Pan Am at $8⅛ was $⅛ up in heavy trading.

On the American Stock Exchange, there was heavy trading in the ADRs of BAT Industries, which added $⅛ to $4¼. Also active was Wang Laboratories, up $¼ at $18⅜ in response to strength in other technology issues.

Du Pont fell back from its recent high, as Wall Street began to fear that Seagram, the Canadian drinks group, may sell the 23 per cent stake in the US chemical company acquired during the Conoco bid battle. Busy trading left Du Pont down $1¼ at $61.

Some analysts, nevertheless, believe that Du Pont may buy out the Seagram stake as part of a restructuring deal which would benefit stockholders.

In the credit markets, the yield curve continued to flatten as bond prices rose, but rates were kept firm at the short end by a federal funds rate stubbornly above 8 per cent. Treasury-bill rates added four basis points.

By mid-session, long-dated bonds showed gains of more than a quarter of a point although turnover was moderate. Last week's new Treasury issues were absorbed comfortably.

KEY MARKET MONITORS

STOCK MARKET INDICES

	Nov 5	Previous	Year ago
NEW YORK			
DJ Industrials	1,390.83*	1,399.66	1,229.24
DJ Transport	667.25*	664.21	534.79
DJ Utilities	160.80*	160.70	144.95
S&P Composite	191.80*	191.29	168.58
LONDON			
FT Ord	1,073.5	1,071.1	901.0
FT-SE 100	1,383.7	1,380.9	1,163.1
FT-A All-share	674.63	672.51	549.61
FT-A 500	738.43	736.21	599.84
FT Gold mines	217.6	222.9	535.9
FT-A Long gilt	10.30	10.27	10.06
TOKYO			
Nikkei	12,820.69	12,808.1	11,374.1
Tokyo SE	1,019.40	1,018.51	866.95
AUSTRALIA			
All Ord.	1,014.6	1,015.5	770.2
Metals & Mins.	502.2	501.9	461.4
AUSTRIA			
Credit Aktien	99.17	98.81	57.80
BELGIUM			
Belgian SE	2,831.48	2,853.22	163.03
CANADA			
Toronto			
Metals & Mins	1,785.2*	1,780.19	2,019.0
Composite	2,702.8*	2,700.14	2,389.8
Montreal			
Portfolio	130.34*	130.33	118.54
DENMARK			
SE	n/a	229.18	171.54
FRANCE			
CAC Gen	224.2	222.9	181.4
Ind. Tendance	127.2	126.0	297.7
WEST GERMANY			
FAZ-Aktien	584.91	600.44	372.07
Commerzbank	1,729.7	1,781.4	1,088.9
HONG KONG			
Hang Seng	1,692.71	1,702.19	1,027.48
ITALY			
Banca Comm.	411.46	414.57	214.39
NETHERLANDS			
ANP-CBS Gen	229.0	228.7	178.3
ANP-CBS Ind	207.2	208.5	140.2
NORWAY			
Oslo SE	399.6	392.19	286.54
SINGAPORE			
Straits Times	767.6	763.69	634.88
SOUTH AFRICA			
JSE Golds	–	1,125.7	1,027.0
JSE Industrials	–	942.8	891.3
SPAIN			
Madrid SE	124.42	124.41	101.51
SWEDEN			
J & P	1,499.13	1,479.88	1,437.72
SWITZERLAND			
Swiss Bank Ind	515.2	512.4	383.2
WORLD	Nov 4	Prev	Year ago
Capital Int'l	234.4	233.7	189.1

COMMODITIES

(London)	Nov 5	Prev
Silver (spot fixing)	422.55p	421.10p
Copper (cash)	£962.50	£950.50
Coffee (Nov)	£1,872.50	£1,880.00
Oil (spot Arabian Light)	$27.75	$27.65

GOLD (per ounce)

	Nov 5	Prev
London	$324.75	$325.25
Zürich	$324.85	$325.20
Paris (fixing)	$325.04	$326.13
Luxembourg	$324.75	$325.75
New York (Dec)	$326.20	$327.10

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	Nov 5	Previous	Nov 5	Previous
$	–	–	1.433	1.441
DM	2.6135	2.596	3.745	3.74
Yen	207.9	207.75	298.0	299.25
FFr	7.9675	7.9125	11.4175	11.4
SFr	2.151	2.136	3.0825	3.0775
Guilder	2.9475	2.928	4.225	4.22
Lira	1,762.0	1,750.0	2,525.0	2,521.75
BFr	52.8	52.5	75.65	75.65
C$	1.37445	1.3695	1.9695	1.9744

INTEREST RATES

	Nov 5	Prev
Euro-currencies (3-month offered rate)		
£	11 7/16	11⅛
SFr	4¾	4⅞
DM	4⅞	4⅝
FFr	9⅛	9⅛
FT London Interbank fixing (offered rate)		
3-month U.S.$	8⅛	8 3/16
6-month U.S.$	8¼	8¼
U.S. Fed Funds	8⅛*	8⅛
U.S. 3-month CDs	7.05*	7.70
U.S. 3-month T-bills	7.22*	7.215

U.S. BONDS

Treasury	Nov 5* Price	Yield	Prev Price	Yield
8⅝% 1987	100 1/32	8.58	100 1/32	8.70
9% 1992	99	9.74	99	9.79
10% 1995	103	9.92	103	9.97
10% 2015	104	10.18	103	10.24

Treasury Index Maturity (years)	Nov 5* Return index	Day's change	Yield	Day's change
1–30	131.60	+0.24	9.41	–0.03
1–10	129.70	+0.18	9.13	–0.03
1– 3	126.19	+0.06	8.64	–0.01
3– 5	131.37	+0.28	9.33	–0.05
15–30	138.29	+0.43	10.41	–0.04

Source: Merrill Lynch

Corporate	Nov 5* Price	Yield	Prev Price	Yield
AT & T				
10¾ June 1990	102¾	9.90	101¾	9.95
3⅞ July 1990	83¾	8.39	83⅜	8.15
8⅞ May 2000	85	10.73	84⅝	10.85
Xerox				
10⅞ Mar 1993	101⅝	10.47	101	10.37
Diamond Shamrock				
10⅞ May 1993	99	10.75	99	10.75
Federated Dept Stores				
10⅜ May 2013	94⅝	10.25	95⅜	11.10
Abbot Lab				
11.80 Feb 2013	103⅝	11.40	104⅝	11.75
Alcoa				
12½ Dec 2012	103	11.90	102	12.00

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	79-09	79-15	78-16	78-26
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	92.02	92.93	92.92	92.98
Certificates of Deposit (IMM) $1m points of 100%				
Dec	92.32	92.33	92.27	92.32
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	92.03	92.04	91.97	92.03
20-year National Gilt £50,000 32nds of 100%				
Dec	112-08	113-00	112-25	113-01

* Latest available figures

TOKYO

Rebound on small-lot buying

SMALL-LOT buying by investment trusts and business corporations moved Tokyo share prices slightly higher yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei market average finished at 12,820.69, up 10.71 from last week's close, after shedding 57.98 at one stage. Trading was very slow at 174m shares, a sharp drop from Friday's 352m. Declines outran advances by 402 to 331, with 158 issues unchanged.

In early trading, electric utilities and oils, which stand to benefit from the yen's rise against the dollar, gained strength on small-lot buying but slackened later.

Tokyo Electric Power advanced Y40 at one stage but ended at Y2,470, unchanged from Saturday's session. Arabian Oil finished unchanged at Y3,480 after gaining Y100.

However, Mitsubishi Estate, Ricoh and Sumitomo Metal Mining, which had been sought by the major securities houses to reflate market activity, lost ground, thus depressing investor enthusiasm. Mitsubishi Estate, the third most active stock with 5.28m shares traded, fell Y10 to Y1,170, Ricoh Y30 to Y1,090 and Sumitomo Y40 to Y1,900.

Blue chips and asset-heavy stocks eased, with Minolta dropping Y20 to Y1,000, Hitachi Y2 to Y708 and Mitsui Real Estate Development Y20 to Y1,060.

Mitsubishi Heavy Industries, the second busiest stock with 8.88m shares changing hands, came under heavy selling pressure, shedding Y18 to Y368. Other large-capital stocks moved narrowly.

Sanko Steamship, the most active with 11m shares traded, was unchanged at Y2.

Issues which are expected to benefit from increased capital spending by electric power companies firmed with help from small-lot buying. Sumitomo Electric Industries advanced Y22 to Y865, Osaka Transformer Y17 to Y535 and Daimei Telecom Engineering Y24 to Y609.

After the close of yesterday's trading session, the Tokyo Stock Exchange announced it would lower the margin requirement ratio from 60 per cent to 50 per cent, effective today, in a bid to revitalise market activity.

Bond prices opened firmer, supported by speculative trading by securities houses. But both buying and selling dwindled later. The yield on 8.8 per cent government bonds, maturing in December 1994, declined to 6.510 per cent

HONG KONG

INSTITUTIONS triggered a retreat in Hong Kong, pushing the Hang Seng index 9.48 lower to 1,692.71, after the previous session's breaching of the 1,700 level.

Property issues, strong on Monday, suffered in the sell-off as small investors joined in the rebound. Cheung Kong shed 50 cents to HK$20.50, Sun Hung Kai lost 30 cents to HK$13.30 and Hongkong Land managed to hold steady at HK$6.90.

Utilities moved against the trend, with Hongkong Electric 5 cents higher at HK$8.35.

SOUTH AFRICA

THE SLIGHTLY weaker bullion price induced an easier showing among Johannesburg gold shares, with most other sectors following suit.

Driefontein shed R1.50 to R50.50 as Welkom dipped 75 cents to R20.25. Platinums and diamond issues moved in sympathy, with Rustenburg 50 cents cheaper at R24.25 and De Beers 5 cents off at R15.35. Mining financials were mixed.

CANADA

INDUSTRIALS displayed a stronger tone in Toronto as oils and mining issues turned lower.

Oils dominated the active list as spot crude oil prices fell in Europe. Texaco Canada traded C$⅛ down to C$29⅜, Gulf Canada moved C$⅛ lower to C$20⅛ and Turbo turned 2 cents cheaper at 50 cents.

Banks led a weaker Montreal as utilities and industrials lost ground.

EUROPE

Blue chips succumb in Frankfurt

WHILE most of Europe continued to trade at peak or near-peak levels, Frankfurt fell victim to a severe technical reaction.

Blue chips, which had led the surge to records in previous sessions, surrendered the most ground. The Commerzbank index dropped 51.7 to 1,729.7 from Monday's record 1,781.4.

Although the consolidation was expected by most brokers, some predicted that profit-taking would continue for at least another session.

News that West German unemployment for October was unchanged at 2.15m and that seasonally adjusted industrial output fell a provisional 0.2 per cent in September had little impact on the market.

Electrical issue AEG was one of the few issues to advance, taking on DM 18.20 to DM 259.70 as investors continue to expect Daimler-Benz to increase its DM 170-a-share offer for the company.

In cars, BMW was hardest hit, shedding DM 20 to DM 530 despite its forecast that world group turnover had increased by more than DM 2bn in 1984. Daimler lost DM 6 to DM 1,130.

VW dropped DM 1.30 to DM 389.50 but was pushed higher to DM 410 in post-bourse trading on rumours of an imminent rights issue.

Zurich scored substantial gains, to reach peaks for the fourth consecutive session.

Banks were especially sought, after four of them cut their short-term customer time deposit rates by ¼ of a percentage point. Investors expect that cuts in other commercial interest rates will follow.

Bank Leu added SFr 250 to SFr 4,300, Baer Holding SFr 200 to SFr 11,200 and Swiss Bank SFr 3 to SFr 519. UBS rose SFr 20 to SFr 4,820 ahead of news that the bank expects "very gratifying" results for 1985.

Insurers were also in demand from foreign investors. Winterthur, still in focus after the company announced on Monday that it planned to issue 50,000 new participation certificates, put on SFr 135 to SFr 4,875. Prices for the international share offering in Zurich Insurance have been fixed at yesterday's closing quote of SFr 5,725, up SFr 75 from Monday's close.

Industrial, chemical and food issues also scored strong rises.

Bonds were lower as the cut in customer time deposit rates came too late to influence the market.

Stockholm, which is experiencing a surge in market interest due to expectations of a further cut in interest rates, ended sharply higher with increases approaching Monday's record rises.

The Veckans Affarer all-share index reached its highest level since January, gaining 7.8 from the previous session to end at 513.9.

Banks, construction issues and properties were popular while the most active issue was Fermenta, up SKr 2.50 to SKr 99 after news that it would double its turnover with the acquisition of two US biotechnology groups.

News of higher third-quarter profits for Akzo helped push **Amsterdam** higher in late trading. The ANP-CBS general index recorded a peak of 229.0.

Renewed interest from overseas investors led to firmer banks, insurers and publishers. Internationals were mixed, with Akzo, active throughout the day, Fl 3.50 higher at Fl 129.30, and Philips, with third-quarter results due today, 60 cents up at Fl 49.30 while Royal Dutch dropped Fl 1.50 to Fl 186.50 and Unilever shaded 70 cents lower to Fl 361.30.

Banks continued to be chased. ABN rose Fl 2 to Fl 550 and Amro 70 cents to Fl 98.50.

Paris continued to improve, with confidence boosted by rumours that Thomson-CSF has won a FFr 1bn contract from the US for its defence communications system. Thomson-CSF rose FFr 29 to FFr 604.

Skis Rossignol added FFr 85 to FFr 1,445 and Imetal FFr 2.80 to FFr 74.50.

Consolidation took hold in **Brussels** after recent sessions of strong gains, and prices ended mixed on the first day of the new forward market.

Vieille-Montagne, reacting to the world tin crisis, had heavy losses for the second consecutive day, to close down BFr 750 to BFr 5,700.

Petrofina fell to profit-taking and lost Monday's gains to end at BFr 6,940, down BFr 160.

Madrid ended mixed with a firmer bias while **Milan** tended to ease.

LONDON

Aggressive buying leads to new peaks

AGGRESSIVE institutional buying made for a spirited early showing among London equities, and the two leading indices sprinted to fresh peaks.

Specialist multiple retailer Underwoods staged an impressive debut finishing with a healthy 24p first-day premium at 204p while leading food retailer Sainsbury produced sparkling six-month results and ended the session a net 6p higher at 364p.

Enthusiasm waned late in the session and was further unsettled by more ominous reports about oil price levels. Profit-taking by small investors left the FT Ordinary index only 2.4 higher at a new high of 1,073.5 after hitting an early 1,083.2, and the FT-SE 100 gained 2.8 to a peak 1,383.7, after touching 1,395.9.

Chief price changes, Page 39; Details, Page 38; Share information service, Pages 36–37

AUSTRALIA

THE MELBOURNE Cup horse race distracted investor attention in Australia yesterday as the All Ordinaries index eased 0.7 to 1,014.6. Turnover at 29.2m shares was substantially reduced by the closure of the Melbourne exchange.

Sydney bargain hunters forced BHP up 12 cents to A$8.42 while CSR dipped 3 cents to A$3.42.

Golds were strong, with Central Norseman 20 cents ahead at A$7.50 and Kidston 14 cents up at A$5.50. GMK, however, moved against the trend with a 20-cent fall to A$9.50.

SINGAPORE

MODEST BUYING support and short-covering firmed Singapore prices and left the Straits Times industrial index 3.91 higher at 767.60. Turnover rose to 16.8m shares from Monday's 12.3m.

Grand United Holdings, the most active with 4.2m changing hands, rose 12 cents to S$1.53 while Kuala Lumpur Industries, also active, held steady at S$1.71.